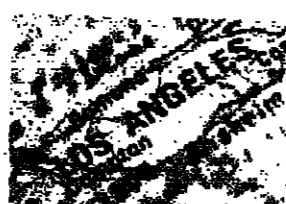


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# FINANCIAL TIMES

Start the week with...



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World Business Newspaper MONDAY FEBRUARY 12 1996

## Two Algiers car bombs kill 17 and injure at least 90

Two car bombs ripped through Algiers, killing at least 17 people and wounding 93 in the city that is caught in conflict between security forces and Moslem fundamentalists. The second bomb exploded outside a building housing the main offices of major Algerian newspapers and an earlier explosion shattered the town hall in Bab El-Oued, a working class district. Algerian authorities have blamed a series of four bombings in the past week on Moslem militants fighting to topple them. An estimated 50,000 people have been killed since violence broke out in 1992 after the authorities cancelled a general election dominated by the Islamists.

## Holbrooke warning to Bosnia factions

US envoy Richard Holbrooke (left) warned Bosnia's factions they had no choice but to implement the Dayton peace accord fully. "We are here to insist on full compliance with Dayton, no exceptions, no changes," Mr Holbrooke said in Sarajevo. Last week the Bosnian Serb army broke off contacts with Nato after the Bosnian government detained several Bosnian Serbs as suspected war criminals. Four of the detainees were freed on Saturday.

## Anti-virus software company sold

The husband and wife who developed the Dr Solomon's Anti-Virus Toolkit software package have sold their company to a management buy-out for reportedly between £20m and £30m (\$46m). The buy-out places the Solomons among Britain's most successful software entrepreneurs. Page 8; Media Futures, Page 15; European PC sales up 20 per cent, Page 22

## Doubts over Caspian oil deal

An accord on transporting the oil that will soon be flowing in huge quantities from the Caspian Sea could be jeopardised by an apparent hardening of Russia's position over the sea's legal status, according to senior British officials. Page 2

## Zhirinovskiy begins Russian poll race

"A sea of vodka", three white horses and ringing church bells announced the unofficial beginning of the race for the Russian presidency as Vladimir Zhirinovskiy, the flamboyant ultra-nationalist, launched his own campaign with a showy silver-wedding celebration. Page 2; Lex, Page 20

## Eurotunnel, the Anglo-French company which operates the Channel tunnel rail link between Britain and France, plans to spend up to £400m (\$800m) over four years improving passenger facilities. Page 20; Spanish link proposed, Page 14

## Italian phone truce on verge of collapse

A fragile truce between Italy's two cellular phone companies is likely to fall apart today over a key element of the accord regulating the country's digital network. Page 2; Bundesstag dials up trouble with telecoms deal, Page 2

## Lisbon spells out privatisation plans

Portugal's Socialist government is to undertake an extensive privatisation programme that aims to raise more than £6300m (\$2.4bn) this year. Page 2

## Cable TV seeks Dutch soccer coverage

The Royal Dutch Football Association has unveiled plans to set up a separate television sports channel to broadcast Dutch football matches. This would effectively shut out public television from the country's most popular sport. Page 2

## De Beers cartel's diamond trade queried

The international diamond cartel organised by De Beers of South Africa has a far smaller share of global trade in rough or uncut diamonds than it claims, according to an independent analysis of the market. Page 21

## Banks to be picked for Polish sell-off

Poland is about to appoint the investment banks which will manage the international public offering of state copper producer Polska Miedz, expected to value the company at about \$2bn. Page 21

## New impetus to search for aliens

The recent discovery of three planets orbiting distant stars has given new impetus to the scientific search for extraterrestrial intelligence. Page 3

## European Monetary System

The Spanish peseta last week took advantage of a lull in the debate over a single European currency to climb from places to the top of the EMS grid. The order of currencies was otherwise unchanged, with the pound between strongest and weakest widening slightly. France's central bank trimmed the intervention rate to 3.90 per cent. Currencies, Page 29

## EMS: Grid



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Country	Code	Unit	Rate
Austria	Sch 20	Germany	DM 1.00
Belgium	Bfr 20	France	FF 1.00
Denmark	Dkr 20	Italy	Lira 1.00
Finland	Fmk 100	Spain	Peseta 1.00
France	FF 100	Sweden	Krona 1.00
Germany	DM 1.00	Switzerland	Sfr 1.00
Greece	Dr 100	UK	£ 1.00
Italy	Lira 1.00	USA	\$ 1.00
Japan	Yen 100	Other	Various

## More IRA attacks feared ■ Major to end Sinn Féin contacts unless ceasefire resumes

# UK set to press ahead with Ulster poll plans

By Robert Peston, John Kampfner and Jimmy Burns in London and John Murray Brown in Dublin

The UK is expected to press on with its controversial plans to hold elections in Northern Ireland, in spite of stiff opposition from Dublin, as the British and Irish governments made desperate attempts to salvage the peace process following Friday's IRA bombing in east London.

Two people died and more than 100 were injured in the explosion, which damaged buildings in the city's Docklands area.

Amid concern from the security services that there may be further IRA attacks, there were also warnings last night from officials and senior Tories of an escalation of terrorist violence and possible loyalist retaliations, which could extend to the streets of Dublin for the first time.

Following a meeting last night with senior British ministers, Mr John Major, the UK prime minister, will today tell the House of Commons that ministerial contact with Sinn Féin will cease unless the IRA renews its ceasefire. A similar ban on talks with Sinn Féin, the IRA's political wing, is being adopted by Dublin.

Mr Major will also reiterate that an elective process remains his preferred route to all-party talks on a Northern Ireland settlement, in spite of comments yesterday from his Irish counterpart, Mr John Bruton, that such a move "immediately after the resumption of violence would pour petrol on the flames".

A colleague of Mr Major said it would be "naïve" to expect the British government to soften its stand on elections.

Mr Bruton and Mr Major talked



The scene of devastation in London's Docklands after Friday's blast, which claimed two lives. British ministers are understood to have been advised by the intelligence agencies to expect up to four bombings on the mainland over the next 10 days. Picture: Ashley Ashwood

talks on a Northern Ireland settlement, in spite of comments yesterday from his Irish counterpart, Mr John Bruton, that such a move "immediately after the resumption of violence would pour petrol on the flames".

A colleague of Mr Major said it would be "naïve" to expect the British government to soften its stand on elections.

Mr Bruton and Mr Major talked yesterday afternoon, when they agreed that "the priority is an immediate end to violence and restoration of the ceasefire", a Downing Street official said. They will meet later this month.

Mr Bruton yesterday criticised Mr Major for presenting the IRA with only two options over the past fortnight: to hand over weapons or agree to elections.

Mr Bruton said he would press for a meeting involving all groups to resolve the peace deadlock, modelled on the Dayton, Ohio conference which brokered an end to the Bosnia conflict.

In the wake of the South Quay bombing, British ministers are understood to have been advised by intelligence agencies to expect up to four bombings on the mainland in the next 10 days. "The

commissioner of London's Metropolitan Police, said it was "extremely concerned" further attacks could occur "any time, anywhere" on the mainland.

Loyalist politicians have been urging their supporters to remain calm, but Mr Billy Hutchinson, of the Progressive Unionists, a fringe loyalist party with links to

Continued on Page 20

## Japan and S Korea in stand-off over island

By William Dawkins in Tokyo and John Burton in Seoul

A group of senior MPs from Japan's ruling coalition yesterday cancelled a scheduled visit to South Korea because of a bitter diplomatic dispute over the ownership of a small island in the Sea of Japan.

The delegation pulled out after South Korean president Kim Young-sam refused a planned meeting with them set for today, and issued an unusually harsh statement denouncing a formal protest by Tokyo over the Korean construction of a landing jetty on the island known as Tok-do in Korean and Takeshima in Japanese.

"Once again, Japan has stirred the anger of the entire Korean people by making a preposterous claim" to the island, said the president's statement. "We, the Korean people, will firmly reject the claim and resolutely deal with any problems arising from it."

The dispute brings the often prickly relations between Japan and Korea to another low. It is the latest in a recent series of island disputes in the area and comes when nationalist feeling in Japan and South Korea is rising.

Japan claims the disputed island under an agreement with Seoul in 1952, when it began to assert colonial rule over the Korean peninsula. Seoul regards the agreement as invalid by claiming it was signed under duress.

South Korea, which formally claimed sovereignty over the island in 1952, has for the last 40 years stationed a police garrison on the outcropping of rocks, otherwise inhabited only by a middle-aged fishing couple.

The issue, a long-standing irritant, has come to a head with Seoul's alarm at Japanese preparations to declare a 200-mile exclusive economic zone around its territory, including the

## Brussels wants trade tied to labour rights

By Caroline Southey in Brussels

The European Commission will this week commit itself to promoting minimum standards for social conditions in international trade pacts, in a move likely to provoke an angry response from trading partners in developing countries.

The Commission will call on the European Union to take a "progressive stance" on the issue of social standards by asking for a working party to be set up under the World Trade Organisation to look into the question.

Last week Asian officials warned that inclusion of such issues as human rights and democracy could damage the first meeting between EU and Asian heads of state in Bangkok next month.

The Commission's call comes in a strategy paper on trade policy drawn up by five commissioners including Sir Leon Brittan, the EU's chief trade negotiator. The paper is designed to prompt debate on what the EU will table at the WTO ministerial meeting in Singapore in September.

EU officials said there was resistance from Sir Leon to committing the EU to a tough stance on social standards.

Until early last year, Sir Leon was hostile to suggestions that labour standards should be included in the debate on world trade policy. However more recently he has accepted that the issue needs to be debated, if only to pacify those advocating action.

The paper says that "some practices, such as preventing freedom of association and using forced labour, cannot be justified in terms of the level of economic development", adding that certain "basic social laws banning forced labour and child labour or guaranteeing the freedoms of association and of collective bargaining are universally recognised within the International Labour Organisation".

The paper argues that "it is only natural that such basic social aspects should be considered in evaluating relations with non-Community countries or defining policies with a strong social component", and that it is "legitimate to discuss social matters in the multilateral context".

The document says the view that some practices were unacceptable was gaining ground in international forums. The fact that the subject was under discussion "should finally mean that this is no longer seen as a protectionist gambit".

But the paper adds there is no question of depriving developing countries of their comparative advantage in labour costs. "The document also points out that it is "better to discuss these matters in a multilateral forum".

The British government has opposed linking social standards to trade policy and is expected to resist the Commission's drive to take a tougher stand. However, other countries, particularly France, have campaigned for minimum social standards in international trade agreements.

## New body parts 'will be grown from human cells'

By Cive Cookson in Baltimore

Doctors will soon be able to replace almost any part of the body with implants engineered from living cells and synthetic materials, the American Association for the Advancement of Science was told yesterday.

Researchers from universities and biotechnology companies said clinical trials or animal tests were already under way with replacement skin, bones and cartilage for joints, and with key parts of the heart, kidneys, pancreas and other vital organs.

Looking further ahead, Professor Robert Langer of the Massachusetts Institute of Technology raised the prospect - in 20 or 30 years' time - of an "artificial womb" which would sustain premature babies for several weeks until they were ready to face the world.

The brain is the only organ whose replacement will remain off-limits for the foreseeable future. But scientists expect soon to learn how to grow individual human nerve and brain cells, and microelectronic devices will also substitute for some nerve tissues.

The basis of much tissue engineering, according to Prof Langer, is to make a scaffold for the

## Move may anger partners in developing countries

new organ out of a special biodegradable plastic. This is then seeded with living cells, which pervade and eventually replace the plastic structure.

Tissue engineering is furthest advanced with skin. Dr Gail Naughton, research director of Advanced Tissue Sciences, told the association, meeting in Baltimore, that her California-based company would seek product licences from the Food and Drug Administration this year for sheets of living skin. They are used to treat severe burns, wounds and deep skin ulcers.

Advanced Tissue Sciences obtains its skin cells from the foreskins of circumcised babies. "One foreskin will provide enough cells to give 250,000 sq ft - six football pitches - of new skin," Dr Naughton said.

The company is working on several other tissue engineering projects, including a 5050 joint venture with Smith & Nephew, the UK medical devices company, to develop living cartilage for orthopaedic applications, such as replacing damaged knees.

Dr Robert Lanza, research director of another biotechnology company, Massachusetts-based

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NEWS: EUROPE

# Doubts arise over Caspian oil deal



By Bruce Clark, Diplomatic Correspondent

An accord on transporting the oil that will soon be flowing in huge quantities from the Caspian Sea could be jeopardised by an apparent hardening of Russia's position on the sea's legal status, according to senior British officials.

The issue interests Britain because an agreement over pipeline routes is crucial for the fulfilment of an \$3bn (£5.1bn) contract to extract oil off the coast of Azerbaijan, signed in 1994 by a consortium led by BP.

Officials said Russia, after

compromising on the issue last autumn, had recently shown signs of reverting to its previous tough stance on the Caspian. This held that any drilling should be subject to approval from all states bordering the sea.

This position, which has also won support from Iran, would imply a refusal to recognise the 1994 contract with the government of Azerbaijan.

Under a compromise struck four months ago between the rival proposals of Russia and Turkey, it was announced that the initial Caspian output would be split between two pipelines - one going through

Chechnya to the Russian port of Novorossiysk, and one through Georgia.

By according to that deal, Russia seemed to be stepping back from its insistence that no drilling could proceed until the status of the sea, and its resources, was agreed by all states in the region.

But Moscow's latest signals, conveyed in high-level contacts with London, have suggested that it is edging back to its earlier stance. "We hope Russia does not go back to that line because it could damage its own interests by doing so," said one senior UK official.

He said western companies,

faced with Russian obstruction, could be forced to rely entirely on the Georgian line, although the projected cost of completing this was five times larger, at \$260m, than that of repairing the Russian one.

The British concerns have surfaced against a background of delicate exchanges between London and Moscow about a possible meeting between Mr Malcolm Rifkind, the UK foreign secretary, and his Russian counterpart, Mr Yevgeny Primakov. A successful meeting would help to mend fences after the lukewarm reception Mr Rifkind received in Moscow last September.

# Italian phone truce on verge of collapse

By John Simkins in Milan

A fragile truce between Italy's two cellular phone companies is likely to fall apart today over a key element of the accord regulating the country's GSM digital network.

Under rules set by the Italian government, Omnitel Pronto Italia, which was awarded the second GSM licence in competition with the state-sector group Telecom Italia Mobile (TIM), was to be allowed use of TIM's network for a two-year period once its own network had penetrated 40 per cent of Italian territory. TIM disputes the claim by Omnitel, which launched its commercial service in December, that this has been achieved and says it awaits confirmation by the telecommunications ministry.

The dispute has become so heated that the two operators do not even agree on the date that the so-called "roaming" accord was meant to be triggered. TIM said it should have come into effect today while Omnitel believes it should start tomorrow.

Omnitel said at the weekend: "If TIM does not provide 'roaming' we shall do everything we can to protect our rights and those of our clients." Mr Francesco Caio, the company's managing director, will announce in Milan today a new tariff structure for subscribers, and TIM is expected to follow suit with its own promotional initiative.

Omnitel, which has recruited

about 70,000 subscribers, compared with the 4m mobile phone owners using TIM's analogue and digital services, said that the ministry accepted it had reached 40 per cent penetration and had sent TIM several letters of confirmation.

TIM said that the letters did not furnish the official proof required and that it had again pressed the ministry to clear up the matter. It doubts whether Omnitel could achieve 40 per cent penetration with the 350 radio stations it has set up so far. TIM, which launched its GSM service last April, has 1,800 stations.

The row may have repercussions on an agreement in principle between Mr Agostino Gambino, the telecommunications minister, and the European Commission on a compensation package for Omnitel. This accord, on the basis of "roaming" and reduced fees to be paid by Omnitel for connection to state-controlled telephone lines, followed the Commission's decision last year to initiate legal proceedings against Italy for discriminating against Omnitel. TIM had not been asked to pay the same £750bn (£312m) fee that Omnitel paid to win the licence.

The accord has not yet been implemented because it was linked to Italy initiating legislation on the EU directive liberalising personal and mobile telecommunications. With a new government still to be formed this has not yet been done.

# Cable TV seeks to net Dutch soccer coverage

By Ronald van de Krol in Amsterdam

The Royal Dutch Football Association (KNVB) unveiled plans at the weekend to set up a separate television sports channel to broadcast Dutch football matches. This would effectively shut out public television from the country's most popular sport.

The new cable channel would be run with the assistance of Philips, the Dutch electronics group which has extensive cable TV interests, ING Bank and Endemol, a big Dutch television producer.

The three private sector companies would each hold a stake of 21 per cent in the new sports channel, which has not yet been given a name. The KNVB itself will take a 10 per cent stake.

The proposed move, which has already encountered political opposition, comes at a time of debate in other European countries about the extent to which commercial television should be allowed to dominate sports broadcasting.

Dutch politicians immediately questioned the fairness of taking football broadcasts out of the public domain, and some threatened to re-examine subsidies made available to the KNVB.

Others called for the KNVB to pay market rates for police surveillance at matches if the football association entered commercial broadcasting.

Government officials have requested an urgent meeting today with the KNVB.

News of the proposed channel also met with anger from the country's public broadcaster, NOS, which is the Dutch equivalent of the British Broadcasting Corporation.

The NOS, together with two commercial television companies, had bid £190m (£360m) for the rights to broadcast league football matches over the next seven years.

However, the proposed channel has outbid them with an offer of £1.04bn over the same period. At the same time, Dutch cable companies would be charged £3.2 a month per subscriber to transmit the sport channel's programmes. This fee would probably be passed on to consumers, whose current cable television charges come to around £15 per month.

Most Dutch households receive all their television via cable and typically pay for a basic service as part of their electricity bill.

However, some 10 per cent of households in outlying areas rely on television aerials for reception and they would be cut off from watching football matches if the proposals went ahead.

# Vodka, white horses and church bells launch nationalist's campaign for presidency

## Zhirinovskiy begins Russian poll race

By Chrystia Freeland in Moscow

"A sea of vodka", three white horses and ringing church bells yesterday announced the unofficial beginning of the race for the Russian presidency as Mr Vladimir Zhirinovskiy, the flamboyant ultra-nationalist, launched his own campaign with a showy silver-wedding celebration.

With the populist flair which has become his political trademark, Mr Zhirinovskiy kicked off his campaign with an Orthodox blessing of his 25 years of marriage, attended by the faithful of his Liberal Democratic party and Mr Jean-Marie Le Pen, leader of the France's National Front.

The "sea of vodka" and shower of coins and baubles which Mr Zhirinovskiy's aides distributed among several hundred bystanders seemed to guarantee the masterful politician a renewed burst of public attention. But Mr Zhirinovskiy's eye-catching antics are likely to be upstaged later this week, when the two heavyweight contenders for the presidency - President Boris Yeltsin and Mr Gennady Zyuganov, the Communist leader - are expected to announce their candidacies.

Although Mr Yeltsin has not yet said whether he will stand in the June presidential elections, he and his entourage have dropped broad hints that he plans to launch a bid for re-election this Thursday, when he visits his home town of Ekaterinburg, in Russia's industrial heartland.

In a carefully orchestrated display of the "will of the people" reminiscent of the Soviet

## Primakov reassures Christopher over supply of reactors to Iran

Mr Warren Christopher, US secretary of state, has expressed his "very strong concern" to Mr Yevgeny Primakov, Russia's foreign minister, over Moscow's supplying nuclear technology to Iran, AFP reports from Helsinki. Russia has agreed to sell two nuclear reactors, which the US fears could help Iran to develop nuclear weapons.

During three hours of talks on Saturday in the Finnish capital, "I outlined my very strong concern over Russia tightening relations with Iran," Mr Christopher said. However, he added that he had received assurances that Russia was "also concerned about Iran developing weapons of mass destruction" and "does not want to enhance Iran's nuclear capacity".

Mr Primakov said that he had reiterated Russia's opposition to the proposed expansion of Nato, and believed that "we must find the right solution for both sides [Russia and the US] and the central and eastern European countries".

Both described their talks as "good and productive". Mr Christopher said "areas of co-operation far outweigh those that we disagree on" and that he found "the Russian minister's comments reassuring". Mr Primakov declared himself willing to find solutions "without going into confrontation, as this would be extremely dangerous".

era, the ground for Mr Yeltsin's formal announcement has been prepared by a series of public appeals for him to stand from groups ranging from the metalworkers' union to Russia's powerful oil barons.

Another sign of intense back-room preparations for Mr Yeltsin's re-election bid came last week when Mr Victor Chernomyrdin, the prime minister, and potentially one of Mr Yeltsin's strongest rivals, dismissed speculation that he would be a candidate and pledged his fealty to Mr Yeltsin.

But Mr Yeltsin's hope of rallying the support of all of Russia's anti-Communist forces, as he did at the peak of his popularity in 1991, remains elusive. Many of Russia's most promi-



A crown is raised over Vladimir Zhirinovskiy's head during his marriage confirmation ceremony yesterday.

nist congress on Thursday. Most leftwing splinter groups have already thrown their support behind him, and he has also been backed by a few nationalist parties.

As the front-runner in most opinion polls and the representative of Russia's largest and best organised political party, Mr Zyuganov is Mr Yeltsin's strongest challenger for the presidency. But Communist officials say their longer-term goal is to abolish the presidency altogether.

"We will revoke the post of the president by overturning the current constitution and

adopting a new one through a public referendum," Mr Gennady Seleznev, the Communist speaker of the parliament, said last week.

In the long run, the Communist party's aim of replacing the strong presidency introduced by Mr Yeltsin with the parliamentary or "Soviet" system, which offered a pretence of democracy in the USSR, could have an even greater impact on Russia's political future than the presidential race which is likely to be the focus of domestic and international attention for the next four months.

# Bundestag dials up trouble with telecoms deal

By Michael Lindemann in Bonn

A decision to award part of the German Bundestag's telecommunications business to a US company rather than Deutsche Telekom has unleashed a wave of protests.

Allowing WorldCom, a US telecoms operator, to manage all the lower house of parliament's domestic telephone traffic - which is expected to save about DM500,000 (£220,000) annually - was described by the Südkurier, a regional paper in southern Germany, as "extremely unfair".

The German Post Association, a group representing the civil servants who make up half of the workforce at Deutsche Telekom, the state-owned operator, said the decision showed a "first-class lack of instinct" and would cost thousands of jobs.

Whether it is cars, trains or televisions, Germans like to buy goods they have made themselves and are still suspicious of imported ones. The same goes for telecoms hardware and services.

However, given the quality of German telecoms products, especially features such as digital services, German producers are having trouble persuading clients that they are as good as the foreign competition.

WorldCom's coup has startled not only Deutsche Telekom, the monopolist which is to be partially privatised this

year. Other leading German companies are wondering why they did not come up with the idea.

"Even if WorldCom are not earning any money at all on the deal it would be worth it in terms of the free publicity," said a senior executive at Mannesmann, which operates Germany's biggest private mobile phone network.

Deutsche Telekom meanwhile insists that it has lost the contract because the committee which regulates the telecom market made up partly of Bundestag members - recently refused to allow the company to introduce discounts of 40 per cent for corporate clients until something was done to make calls more attractive for private clients. A government decision in mid-March is expected to approve the corporate discounts if Deutsche Telekom does something for private clients.

Meanwhile, the company's confidence about recovering the Bundestag contract, which can be cancelled at 14 days' notice, may not be misplaced. "The moment Deutsche Telekom can make a new offer we will begin talks," said a Bundestag spokeswoman.

If Deutsche Telekom can recover the contract it will go some way to make up for a dismal start to the year - and soothe those horrified that an institution as German as the Bundestag could prefer to do business with the Americans.

# Lisbon spells out privatisation plans

By Peter Wise in Lisbon

Portugal's Socialist government is to undertake an extensive privatisation programme that aims to raise more than £3,000m (£1.6bn) this year. Disposals in 1996 are to include global offers of Portugal Telecom, Electricidade de Portugal, the national power company, and Cimpor, a cement producer. Employees, small savers and Portuguese abroad are to be encouraged by discounts and tax incentives to invest in the planned privatisation of 23 companies over two years.

The centre-left Socialists'

plan is more ambitious in both scope and forecast revenue than that of the Social Democrat government, which lost last October's general election.

Focused on banks, sales of companies nationalised after a left-wing revolution in 1976 have raised more than £31,000m over the past seven years. This made Portugal the world's third largest privatising country after Britain and New Zealand, according to the Organisation for Economic Co-operation and Development.

The new government's programme centres on industry and services, including steel, shipbuilding, oil, chemicals,

mining, gas, paper pulp and tobacco, as well as airport management and motorway construction and operation.

Mr Antonio Guterres, prime minister, told parliament that privatisation would promote greater social justice, equality of opportunity and economic integration.

State companies in Portugal, often holding monopolies, have held back the development of competition and through their losses have often been a drain on public resources.

Privatisations are expected to begin with an international offer of up to 24 per cent of Portugal Telecom. The sale of

27 per cent last June raised £143m. The government will later sell a further stake to a global strategic partner.

More than 20 per cent of EDP's holding company for Portugal's power generation, and distribution utilities, is to be privatised in another global offer towards the end of 1996.

Further holdings will be offered but the state will retain management control.

The state's 80.5 per cent stake in Banco Fomento e Exterior, Portugal's fifth largest financial group, is also to be privatised this year. However, the government has not decided whether to accept a

£132bn offer from Banco Portugus de Investimento.

The government has meanwhile appointed Mr Manuel Ferreira Lima, a former transport minister, to replace Mr Fernando Santos Martins as president of TAP-Air Portugal, the state airline. The appointment is one of several changes expected in the top management of state-owned companies.

Police are investigating allegations of corruption involving TAP's purchase of four Airbus A-340 airliners. The company is forecast to show a loss of about £155m in 1995, down from a £229.9bn loss in 1994.

# González heads for defeat on his home ground

Andalucia is likely to be crucial in next month's election, writes Tom Burns in Seville



Fun-loving, backward, fickle and passionate, the home state of Spain's prime minister, Mr Felipe González, is likely to be crucial in next month's general election. Andalusia is one of the poorest states in the country, where gross domestic product per capita income is only 69 per cent of the national average, and unemployment is running at 30 per cent - 10 points above the national average.

Electorality is crucial - its 7m people return 54 deputies to Madrid's 350-member congress, more than any other region. Since 1982 it has delivered a solid Socialist vote which enabled Seville-born Mr González to remain in power.

But the premier is bracing himself for a poll defeat on March 3. In his home region the Socialist party has become hopelessly divided, and the

Communist party is expected to make strong gains at the Socialist's expense.

"National elections are won or lost in Andalusia," says Mr Javier Arenas, regional leader of the centre-right Popular party (PP). "This time we are going to win."

In municipal polls less than a year ago the PP captured the city halls of Andalusia's eight provincial capitals and won control of almost all the middle-sized towns.

Mr Manuel Chaves, who was a partner in Mr González's labour law firm in Seville in the late 1960s, served in the cabinet as labour minister for five years and has headed Andalusia's Seville-based regional government since 1990, admits the PP and the Socialists are "neck and neck".

In 1993, when Mr González won his fourth term in office, the Socialists won over 1m more votes than the PP. That lead came mainly from Andalusia, where they gained 850,000 more votes than the centre-right.

But in the 1994 European



parliament elections, Andalusia began to follow the national voting trend. The PP polled over 200,000 votes more than the Socialists, while a sharp rise in the centre-right vote stripped Mr Chaves of his majority in the Andalusia parliament poll on the same day.

Last May's municipal vote confirmed the electoral swing. "More people are governed locally by us in Andalusia than by the Socialists and moder-

ate, modern, decent and efficient," says Mr Arenas. "Scare campaigns saying we are a bunch of hard rightwingers don't wash any more."

Mr Arenas - young and dynamic with quickfire repartee and charm reminiscent of Mr González's campaign style 20 years ago - is a model of the new image that Mr José María Aznar, the PP leader, has grafted on to his party.

Ms Soledad Becerril, the Popular party mayor of Seville,

says the city is a "shop window" of the PP in power because "everything works, nothing is paralysed".

Mr Chaves says ruefully: "The PP has a lot of influence now and it is spreading out from the cities. We have lost the urban vote and we are losing the vote of the young, just as everywhere else in Spain." Opinion polls tend to substantiate his worries. A poll published on Saturday by El País, Spain's biggest-selling newspaper,

suggested that the PP would for the first time be the biggest party in Andalusia, where regional elections are also being held on March 3. The poll gave it 39.3 per cent of the regional parliament vote; the Socialists 35.7 per cent.

Mr Chaves's problems in Andalusia's regional elections mirror those of Mr González. Short of a majority in the 109-member regional parliament, just as the prime minister is in the Madrid congress, Mr Chaves has failed to get a budget through parliament for the past two years, while Mr González's national draft 1996 budget was rejected last October.

Like Mr González, Mr Chaves is fighting on two fronts, against the PP and the Communist-led United Left (IU) coalition. In addition, he has been exposed, more than any other Socialist leader, to the simmering split in the government party. Andalusia is the stronghold of the guerrilla wing of the Socialist party, which supports Mr Alfonso Guerra, deputy party leader and once Mr González's closest

political associate. Born in Seville, like Mr González, and deputy prime minister from 1982 to 1991, when he fell out with him, Mr Guerra has publicly complained that his followers have been dropped as candidates from the party's electoral lists.

"Voters simply want a change. They've had enough of 12 years of unemployment and corruption," says Mr Luis Carlos Rejon, IU leader in Andalusia. Mr Rejon is quietly confident that a Socialist humiliation in Andalusia will prompt the dismissal of the González old guard in the governing party and a re-emergence of "progressive forces" to bring together the Socialist left and IU. The region, he says, is a fertile ground for "political experiments".

Nevertheless, the PP must tread warily in Andalusia, for the Socialist vote remains strongly entrenched in rural areas where unemployed labourers survive on government subsidies. Mr Arenas says the rural handouts are necessary to "preserve social peace", although he will fine-tune them to encourage employment.

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كشافة الأهل

هنا امر لاص

# Forbes fails to win over Iowa's right

Voters in Iowa will pass their verdict today in straw polls to help select this year's Republican candidate for US president...

Mr Forbes - who has bought millions of dollars worth of television advertisements to attack the Republican front-runner, Senator Bob Dole...

Mr Forbes is widely despised by the religious right, which dominated the final key event of the Iowa caucus campaign...

# Scientists remain optimistic that systematic hunt for radio signals will pay off eventually

## Search for alien life form draws a blank

By Clive Cookson in Baltimore

We are still alone. The recent discovery of three planets orbiting distant stars has given new impetus to the scientific search for extra-terrestrial intelligence...

And they hoped that publicity over the discovery of new planetary systems would bring in private research funds to support Seti.

None of the four groups has found clear evidence of intelligent signals from outer space, despite occasional claims to the contrary in the media.

Hundreds of stars, including those recently discovered to have planets, have been scanned without success.

University's radio telescope. This so-called "Wow" signal - named after the scientists' initial reaction to it - was an "astoundingly strong" burst of microwave radiation...

Prof Dixon said yesterday that he was about to re-analyse recordings of the signal, with a grant from the Planetary Society, in an attempt to solve the mystery.

# Cuts at Northrop hit aircraft sector optimism

By Christopher Parkes in Los Angeles

Hopes raised by Boeing's plans to take on new workers in the west coast aircraft industry's first large hiring programme since 1989 have been hit by the threat of further cuts at Northrop Grumman.

Although a formal jobs policy announcement is not expected for two weeks, Boeing shares rose to a 52-week peak of \$224 on Friday following reports that the Seattle-based group would hire 5,000-7,000 people in the next 12 months.

The mood in the group, which shed almost 30,000 jobs in the last recession, has been improved by stronger foreign orders, although most are for smaller aircraft.

California, on the other hand, is riding a wave of expansion in the entertainment and electronics industries which has obscured continuing strains in the aircraft business.

McDonnell Douglas, which has large plants in Los Angeles, may benefit from some increased contract work on Boeing aircraft components, but the basic difficulties caused by lagging behind Boeing and Europe's

Los Angeles-based Northrop has not yet decided on the future for the B-2 workforce, estimated at almost 9,000, when the air force's current order for 30 aircraft is completed in 1998.

In the end, dominance of the crowded nine-man field, which also includes former governor Lamar Alexander of Tennessee, Senator Richard Lugar of Indiana, Mr Robert Dornan of California and Michigan industrialist Mr Morry Taylor, could be determined more by campaign organisation than anything else.

Senator Dole on the campaign trail in Iowa at the weekend.

Patti Waldmeir

Digital Barbie sets the trend in \$1bn market

By Christopher Parkes

Virtual Barbie, a digitalised version of the "real" queen of playland, is to lead an attempt by Mattel to exploit an untapped sector of the toy market...

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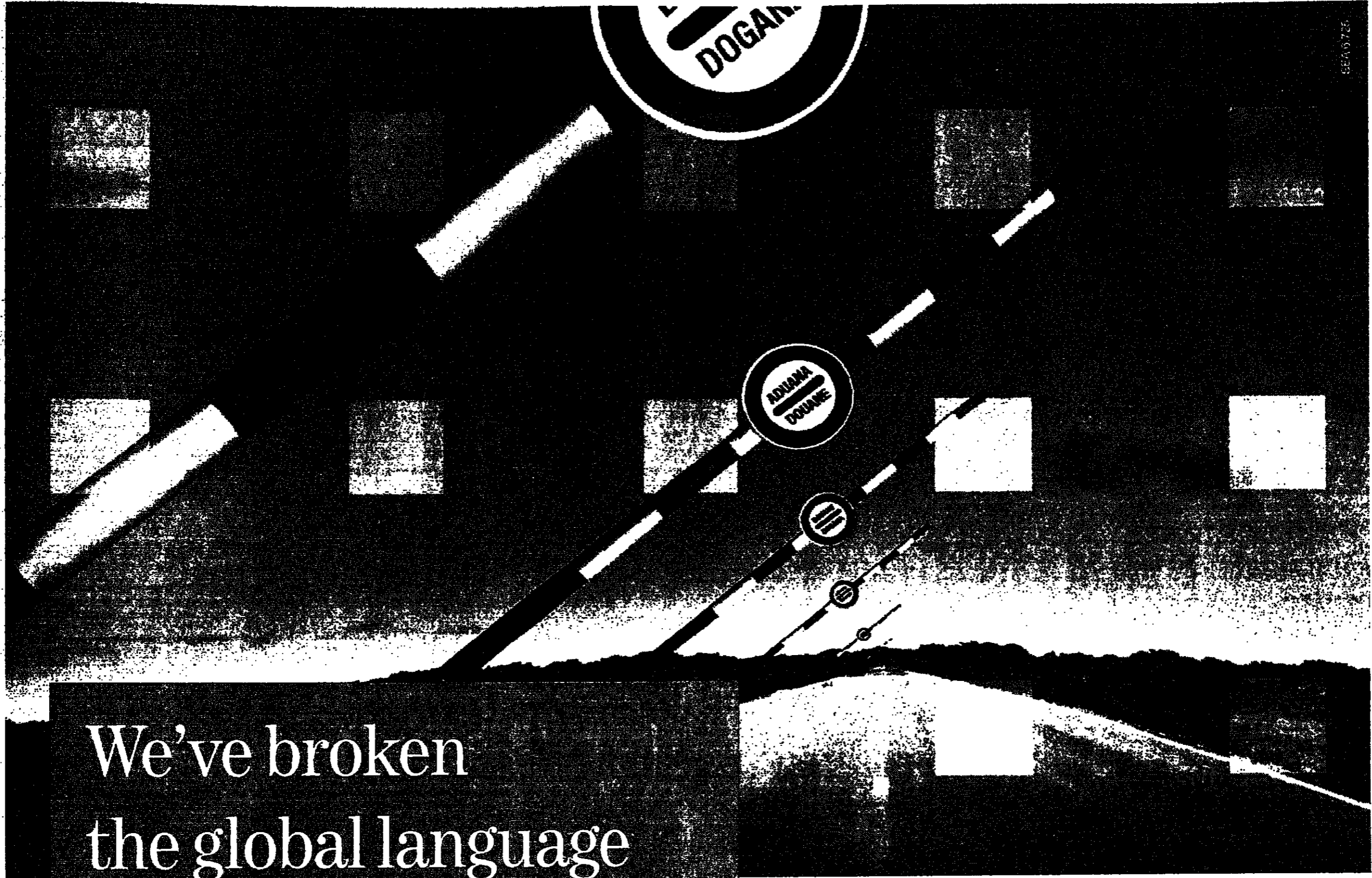
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UK NEWS: NORTHERN IRELAND PEACE CRISIS

Sinn Féin leader no longer has any real clout with republican hard men, says John Murray Brown

Blast shatters Adams' credibility

If there was anyone yesterday who looked more shattered than Mr John Bruton, the Irish prime minister, it was Mr Gerry Adams...

cess was largely based on the assumption that he did speak authoritatively for the IRA. The Irish government's decision to sever formal ties with Sinn Féin was described by Mr Adams as 'disappointing'...

was not taken lightly, and certainly not for short-term advantage. For Mr Adams personally, there must be a real question about his safety. He has a bodyguard and even during the ceasefire was said never to sleep in the same house for two consecutive nights...

results. Although Irish politicians are anxious not to blame the British publicly, there is a widely held view that a more flexible attitude from the British in areas such as prisoners could have given Mr Adams more room for manoeuvre. Instead, there has been a mounting frustration with the lack of progress towards all-party talks...

Ireland secretary, has demanded. Equally, Mr Bruton can hardly expect the IRA to announce another ceasefire - this time with verification - as was demanded on Saturday. Republicans will instinctively blame the British for foot dragging, and playing to a unionist agenda...



Shell-shocked: Gerry Adams seemed irascible from the strain

Verdict reserved on violent response

The loyalist paramilitary groups in Northern Ireland are adopting a wait-and-see attitude to the end of the IRA ceasefire but do not discount a resumption of violence. They want to see if the London Docklands bomb was a single shot across the bows of the British government...

Financial centre remains optimistic

London officials were attempting yesterday to play down the impact on the capital as a financial centre following the IRA bombing in Docklands. Mr Michael Pickard, the chairman of the London Docklands Development Corporation...

INSURANCE - By Ralph Atkins

Premiums threat as cost estimate tops £150m

Many businesses could see terrorism insurance costs increase by as much as two-thirds following the South Quay bombing, threatening fresh disquiet over the government-backed insurance scheme introduced after earlier IRA attacks in London.

The fears of many companies will be that insurance claims falling on Pool Re - the state-backed terrorism 'reinsurer' which underwrites policies sold by conventional insurers - will exceed £75m. Above that level, Pool Re would be able to claw back substantial extra sums from those who have bought its policies since January 1.

buildings are less sizeable," he said. However, insurance claims were likely from damage to buildings, contents (including expensive computer equipment), business interruption and loss of profits and rent. Moreover, previous terrorism threats to London Docklands mean most businesses based there are likely to have bought terrorism cover.

said there was a fair chance of the total falling on Pool Re exceeding £75m. The threshold is important because of Pool Re's discount system. Under terms announced for 1996 last November, the reinsurer said it would collect only 60 per cent of the policy premium at the start of the period covered. The remaining 40 per cent would be waived if claims occurring to Pool Re do not exceed £75m during 1996.

chief executive, said yesterday that it would not be clear whether the threshold had been reached until information is sent from insurance companies - possibly within a few weeks. The threat of extra costs to business across Britain is likely to renew debate about Pool Re which has been criticised as expensive and inflexible. Earlier this year, the Association of Insurance and Risk Managers (AIRMC), which represents commercial insurance buyers, warned that many businesses are having to choose between paying high premiums - or risk going without cover.

1992 bomb attack on the City after insurers said unlimited terrorism cover would be excluded from commercial policies. The reinsurer operates as a mutual, insisting that member companies - most of the big insurance companies - sell insurance only on its terms and conditions. Only a limited market for terrorism cover has developed beyond Pool Re. Airmic has suggested that Pool Re should be funded by a contribution or levy on all commercial property insurance, allowing a return to the automatic provision of terrorism cover. This would make it more akin to funds set up in other countries to protect against natural catastrophes.

SECURITY - By Jimmy Burns

Ring of steel closes on City amid new alerts

For the security forces, it is a question of once bitten, twice shy. Yesterday police chiefs on the British mainland and in Northern Ireland reissued appeals for public vigilance while stepping up overt security measures against terrorist attack. The measures include the reactivation of manned checkpoints on key access roads to the City of London - the so-called ring of steel introduced following the Bishopsgate attack by the IRA in 1993.

One senior City of London police officer said last night: "We obviously realise that as one of the world's major financial centres, the City could be the target for another bomb. We can't be sure it will be attacked, but we can't afford to take chances." In addition to restricted parking and traffic circulation, there will be roving teams of armed police units, and protection of government buildings and senior public figures will be stepped up.

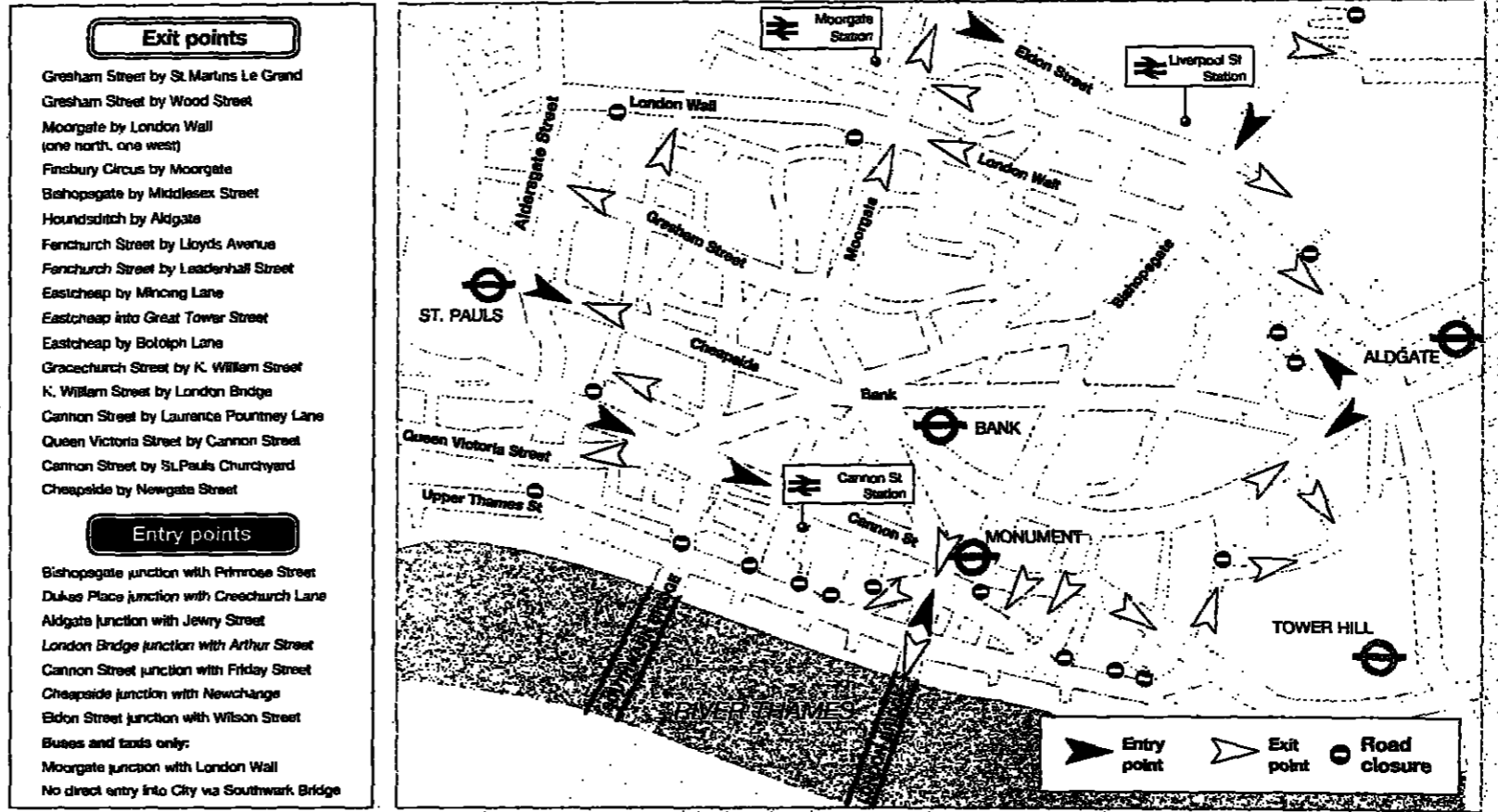
On the streets of Belfast, the Royal Ulster Constabulary has increased its street patrols, while considering calling in the army as backup if and when necessary. Having erred on the side of optimism, believing that the IRA ceasefire would hold, police and the security service M15 found themselves wrong-footed by last Friday's bomb. In its aftermath, police and security chiefs feel they have no option but to brace themselves for a renewed IRA military campaign.

The nature, size, and location of Friday's bomb suggests that this specific terrorist attack would have involved more specific planning over a period of at least three weeks, with the final decision on the day and time taken around Wednesday of last week, when British and Irish ministers failed to agree on a Dublin proposal for a Bosnia-style round table involving all political parties. It is thought that the operation was known only to a very restricted group of people within the organisation, and may have involved the bomb-

ers answering directly to a representative of the IRA's ruling army council. The estimated 500lbs of home-made explosive would have involved at least one IRA unit - two to three people - on a final surveillance of the area as well as on the assembly and transport of the device in a van. Other vehicles as potential decoys may have also been used. The bomb is of a kind which has been often used by the IRA in Northern Ireland for propaganda purposes. It is less powerful and potentially causes fewer fatalities than Semtex, but its "wave" effect shatters glass over a wide area, producing dramatic photographic and film material. The IRA picked on a target which, in common with many other parts of mainland cities, had relaxed its security presence in recent months. Over the weekend Sir Paul Condon, the Metropolitan police commissioner, admitted that the blast at South Quay was "completely unexpected". Previous IRA operations in the area had been focused on the nearby complex of Canary Wharf, which includes the tallest building in Britain.

Both the DUP and the UUP have very weak electoral support. Mr Michael Ancrum, the minister for political affairs in Northern Ireland, said late in 1994, after the loyalists had declared their own ceasefire in October, that the political parties speaking for the paramilitaries had only 1.3 per cent of the vote in council elections. This compared with 10 per cent for Sinn Féin, the political wing of the IRA. They have one councillor each on two of Northern Ireland's 26 district councils, which have few powers. In addition, Mr Gerry Adams, president of Sinn Féin, was elected to Westminster as an MP. Before losing his seat in West Belfast to Mr Joe Hendron of the Social and Democratic Labour party, the moderate nationalist group. Because of their strong links with the paramilitaries however, the DUP and UUP would be admitted to bilateral talks. Their weak electoral standing meant, however, that they would not have an automatic right to participate in all-party talks. Mr Ervine has served a jail sentence for the handling of explosives. The Ulster Freedom Fighters has roots going back to the Ulster Volunteer Force, set up in the early part of the century to fight against home rule for all of Ireland. It is thought to have between 1,000 and 2,000 active members. The UDA is the larger of the paramilitary groups. Its membership is thought to be about 6,000. Stewart Dalby

Stepping up protection of the Square Mile



Exit points: Gresham Street by St. Martins Le Grand, Gresham Street by Wood Street, Moorgate by London Wall (one north, one west), Finsbury Circus by Moorgate, Bishopsgate by Middlesex Street, Houndsditch by Aldgate, Fenchurch Street by Lloyd's Avenue, Fenchurch Street by Leadenhall Street, Eastcheap by Mincing Lane, Eastcheap into Great Tower Street, Eastcheap by Bishop Lane, Gracechurch Street by K. William Street, K. William Street by London Bridge, Cannon Street by Laurence Pountney Lane, Queen Victoria Street by Cannon Street, Cannon Street by St. Pauls Churchyard, Cheapside by Newgate Street.

based on the belief - shared by the British government and its security advisers - that rank-and-file rumblings of discontent within the republican movement were insufficient to dislodge the willingness and ability of Mr Gerry Adams and other Sinn Féin leaders to carry the IRA behind the peace process. Yet it now emerges that while Sinn Féin officials continued their contacts with the Irish and British government, the IRA was carefully preparing its bomb attack. According to an initial assessment made by a senior anti-terrorist expert, Friday's bomb attack was almost certainly the visible result of a covert IRA intelligence and logistics operation which had been running almost from the moment the ceasefire was declared. It is now believed that the IRA, far from winding down its operations, had refocused small teams on the mainland on intelligence missions with the aim of identifying potential targets. IRA hardliners have never renounced breaking the ceasefire if they considered that the peace process was leading them to deadlock. The nature, size, and location of Friday's bomb suggests that this specific terrorist attack would have involved more specific planning over a period of at least three weeks, with the final decision on the day and time taken around Wednesday of last week, when British and Irish ministers failed to agree on a Dublin proposal for a Bosnia-style round table involving all political parties. It is thought that the operation was known only to a very restricted group of people within the organisation, and may have involved the bomb-

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TOURISM - By Sheila Jones

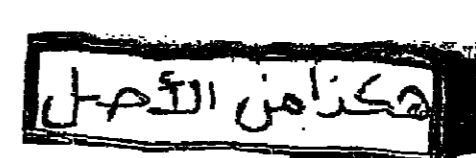
Overseas visitors shrug off fear and carry on shopping

Tourists in London's busiest shopping districts appeared undeterred at the weekend by the bomb attack. On Saturday, shoppers thronged as usual outside Harrods in Knightsbridge, a popular spot for overseas visitors. More than 22m tourists came to the UK last year. About half headed for the capital, where spending by tourists was about £7bn.

"We live in Paris and there are a lot of bombings there so we're used to it," said Chris Clement, who arrived in London on the Eurostar train on Friday for a weekend trip. "We like London and the bomb hasn't put us off. I'm surprised though, that our bags haven't been checked in the big stores today. In Paris, bags are checked everywhere if there is a bomb." Four weekend visitors from North-

ern Ireland said they were "sorry we happen to have chosen this weekend to come". One added: "We're accustomed to this sort of thing. I couldn't help wondering how long it would be before this would happen. If there's to be a permanent peace, it will take at least a generation to build trust between the communities." Canadian couple Giovanni and Ivana Vernich shrugged off the prospect of bombings in the capital. "If it happens, it happens, we feel perfectly safe here," said Mr Vernich. Graham and Jean Price, on business from Liverpool for the weekend, had to cancel a meeting in Canary Wharf on Saturday because of the attack. "But we're going to enjoy ourselves in London instead. We try not to think about it because really there is nowhere that is totally secure. You can't stop living." Helga Wollerich, in London for a

one-week trip from Frankfurt, said she was "very sad" that the bombing had happened. "But I don't feel scared shopping here in London." Frank and Jette Zackrisson, from Aarhus in Denmark, arrived in London with their two daughters two hours before the bomb went off on Friday. "I saw it on the television this morning, and of course I was worried," said Mrs Zackrisson. "Maybe if there are more, I would think about going somewhere else." That student Ampon Buranabudsakorn said she felt "indifferent" as far as her own safety was concerned. "Anything can happen. Anyway, I have to stay here for another nine months to finish my course in business studies." Ellen Verhulst, who moved to London from France two years ago, said if there were further attacks she might consider returning to France.

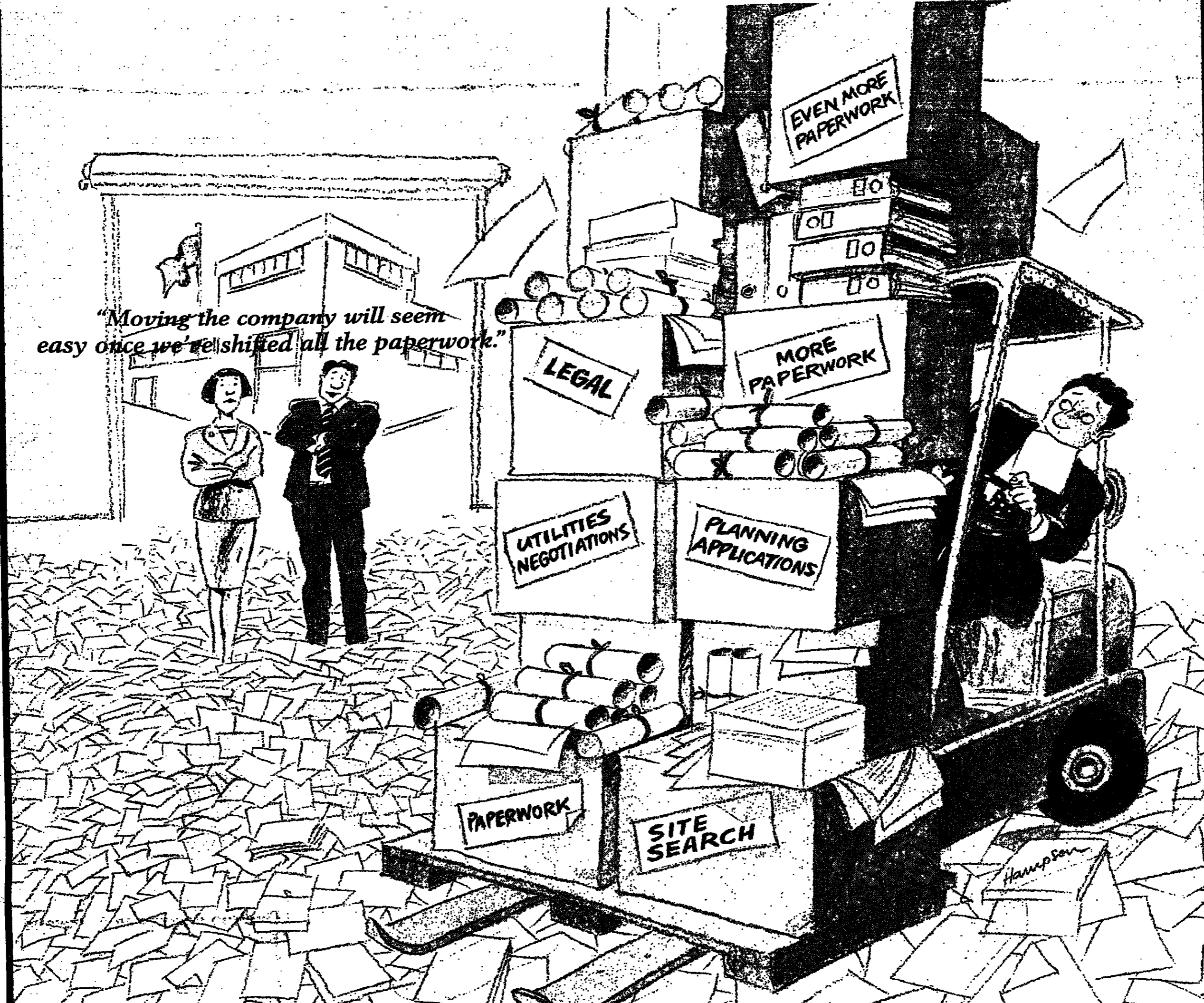








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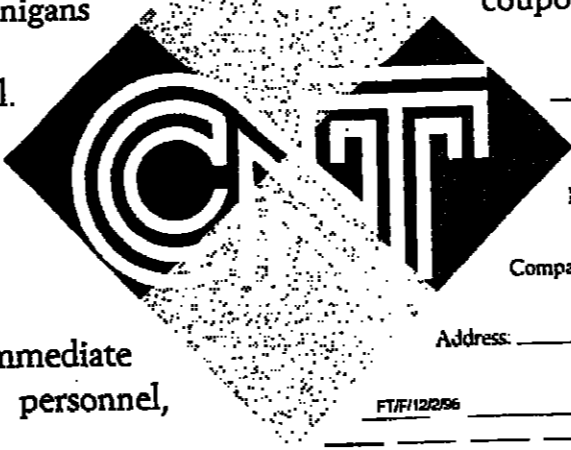
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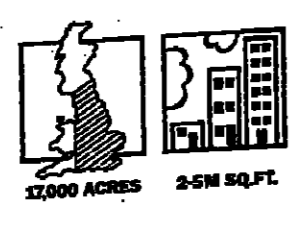


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THIS WEEK

Passionate about culture - sometimes

Sympathy seems to be an especially fickle emotion in Italy. When great disasters and tragedies happen, a wave of sympathy is quickly generated and then fanned enthusiastically by the media...

of rebuilding the building in two years. The government says it is willing to waive the procedure requiring 34 signatures for each document concerning the reconstruction of an historic city centre.

DATELINE Rome: Italians can be surprisingly fickle when it comes to salvaging and maintaining the country's heritage, reports Robert Graham

world tip-off that the fire was deliberately started, Fernando Pinto, the opera house manager, was arrested in July 1993 for alleged arson. It was discovered that the proprietors, the Messani Nemagna family, were to sell the ruined theatre to the local authorities for an agreed, cheap price.



mayor and councillors think the Petruzzelli is worth in its present state, and what the owners are asking. Many believe that the municipality is dragging its feet until the land concession expires.

Equally, Naples, as host of the G-7 summit in July 1994, lifted its profile and attracted government funds for city improvements. Antonio Bassolino, the city's mayor, helped put the funds to good use, re-establishing Naples on the tourist map and boosting its conference business.

However, away from the tourist trail and just beyond Naples city centre, decay continues. In the huge hinterland that stretches from Vesuvius to the coast beyond Pozzuoli, neglect is all too obvious. Pozzuoli, rich in history, looks a shadow of its former past.

Outsider from the trenches

Alistair Defriez is a popular choice to head Takeover Panel, writes David Wighton

Alistair Defriez's appointment as the next director-general of the UK's Takeover Panel caused some surprise in the City of London last week. "Its extraordinary - they've given the job to someone with a sense of humour," joked a colleague.



inquiry, SBC was cleared of breaking the takeover code, but the panel decided to review the rules. The panel is widely expected to conclude that no significant changes are needed, but Defriez insists this will not cause a problem for him.

over Warburg, many thought Defriez's days at the firm would be numbered. Yet he was soon working with John Walker-Howarth, a former director-general of the panel, on Forte's defence, and SBC Warburg insiders deny that his prospects in the firm have been blighted.

you are out of the game. But it is a great honour and it is one of those invitations you cannot refuse. While his appointment has been well received, there are some observers who question whether the invitation should have been made to a higher-profile figure.



Deutsche Telekom decides it will go Dutch

It takes some guts to hire a former chief executive of Fokker, the troubled Dutch aircraft maker which has made headlines around the world in recent weeks, writes Michael Lindemann in Bonn. But that is exactly what Deutsche Telekom has just done.

Pedro Aspe opts for a politically correct position

Pedro Aspe, Mexico's former financial czar, has just emerged from the statutory year of purdah imposed on ex-civil servants to take up a senior position with the Monterrey-based Pulsar group, writes Leslie Crawford in Mexico City.

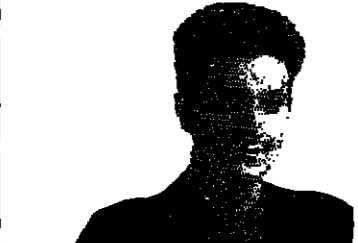
Chrysler finds its very own Warren Buffett

Chrysler may have succeeded in keeping Jerome York, an ally of dissident shareholder Erik Kerkorian, off its board, writes Richard Waters in New York. But in John Neff, the famously outspoken mutual fund manager, it has just given a seat to someone whose presence in the boardroom is likely to prove equally as bracing.

Economics Notebook / Robert Chote

Graduate glut forecast for 2001

Expanding educational opportunities in the UK look set to create as many losers as winners



Imagine the scene in five years' time. More than 800,000 frustrated graduates scattered across Britain, unable to find jobs which make use of their hard-earned qualifications.

(The highly qualified here include all university graduates and holders of equivalent professional qualifications, plus post-graduates and anyone with a qualification exceeding the "A"-level taken at age 18).

Bigger returns encourage more students. Ratio of non-manual to manual workers' wages. Inflow of first degrees ('000).

many well educated people have moved downmarket. In the US the proportion of graduates either unemployed or in "high school jobs" has risen from 11 per cent in 1970 to 20 per cent in 1990, with the UK showing similar trends.

spread of computerisation is making employers increasingly keen to take on highly educated staff. "Qualification inflation" is another possibility. As well as applying for the new highly skilled jobs created by technological progress, the well educated may also compete for jobs currently held by the less qualified.

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Monday February 12 1996

**Banks to be picked for plum Polish sell-off**

By Nicholas Denton in London and Christopher Robinson in Warsaw

Poland is about to appoint the investment banks which will manage the largest privatisation in eastern Europe this year - the international public offering of state copper producer Polska Miedz, expected to value the company at about \$2bn (£1.2bn).

Some 13 consortia - including most of the leading US and European investment banks and Poland's largest commercial banks - submitted plans for the privatisation on Febru-

ary 2. Polska Miedz said the privatisation industry, which controls the company, was expected to draw up a shortlist by the end of the month and then choose managers for the sale.

A consortium led by Goldman Sachs, and groups led by SBC Warburg and CS First Boston, are considered the strongest contenders. The participation of HSBC and N.M. Rothschild in its team bolsters Goldman's effort. SBC Warburg, analysts have particular expertise in the mining industry, and CS First Boston has extensive experience in eastern

Europe. Competition for the position of lead manager is intense because Polska Miedz holds five per cent of world copper reserves and its sale will be Poland's largest single privatisation.

The privatisation ministry is considering an international sale of global depositary receipts listed in London, representing about 15 per cent of the equity of Polska Miedz and worth about \$300m. A further 10 per cent, worth about \$200m, will be reserved for domestic investors and about 15 per cent for distribution to

42,000 employees. The company, which is to be floated on the Warsaw Stock Exchange, will represent about a third of the market's capitalisation.

The rise in copper prices between 1994 and 1995 lifted revenues at Polska Miedz by 45 per cent to 3,78bn zlotys (\$970m), on which the company made an estimated net profit of 450m-500m zlotys. But investment bankers pitching for the privatisation mandate are concerned that the copper price, which ended last week at \$2.570 per tonne, is past its cyclical peak.

Polish copper deposits are deep and

expensive to extract, while competitors are able to use more efficient open-cast mining methods. It costs Polska Miedz 82 cents to extract a pound of copper, compared with 40-70 cents for competitors in the US and South America.

Bankers are also concerned that Polska Miedz's diversification plans are reducing its appeal. It is investing heavily in mobile telecommunications after Polkomtel, a consortium including Polska Miedz and Airtouch of the US, won a licence to provide GSM digital mobile services.

**INSIDE**



**TONY JACKSON**  
 GLOBAL INVESTOR  
 Merrill Lynch and Salomon say they expect 20 per cent of their future revenues in investment banking to come from telecoms worldwide. The sector, which is valued at about \$650bn after a wave of international privatisations, still only represents 5.5 per cent of the total value of world stock markets. If Merrill and Salomon are right, that proportion is bound to rise. Page 24

**BONDS:**  
 You have more chance of being struck by lightning than finding an economist who believes European economic and monetary union will take place in 1999 with the original Maastricht signatories. But while bond prices suggest investors expect some form of Ecu to take place, the implications of a delay are not clear. Page 26

**EMERGING MARKETS:**  
 The examples of Latvia and Lithuania suggest investors might be wise to keep a close eye on the debt market. Fairly low inflation and strong currencies in both countries make government paper a good buy. Page 25

**CURRENCIES:**  
 Sterling will be in the spotlight as the markets respond to renewed IRA bombing. Some selling pressure is expected, but sustained weakness is not. The heat may be on later in the week, however, after the release of the Scott report into the sale of arms to Iraq. Page 29

**COMMODITIES:**  
 The International Precious Metals Forum kicks off in the UK this week against a background of increased market activity after the London gold price burst through the \$400 a troy ounce barrier in the new year to hit an all-time high just over a week ago. Page 24

**INTERNATIONAL COMPANIES:**  
 A consortium headed by Deutsche Telekom, the state telecommunications network, and Bertelsmann, Germany's largest media group, is holding a crucial meeting today aimed at seeking agreement on a standard decoding box for the launch of pay-per-view digital television this year. Page 22

**UK COMPANIES:**  
 Two Scottish fund managers are understood to have made their final offers for Dundee Fund Managers, the Edinburgh-based investment management company controlled by Bank of Scotland, which is for sale after staff defections and resignations. Page 22

**MAM sale highlights doubts on rival bid for MAI**

By Raymond Snoddy

City of London doubts that a rival bidder might launch an offer for MAI, which announced a \$3bn merger with United News and Media on Thursday, were highlighted on Friday when Mercury Asset Management sold a significant stake in the UK broadcasting and financial services group.

MAM, the investment group which played the crucial role in the successful hostile bid by Granada, the TV, catering and leisure company, for Forte, the hotels group, sold a 2 per cent stake in MAI for \$25m.

Although MAM retains 6.25 per cent of MAI, the sale seems an indication that it did not believe it likely that any predator, in particular Carlton Communications, under chief executive Mr Michael Green, would bid for MAI and therefore force up the price.

There were, however, unconfirmed reports that MAM spent half the proceeds of the sale on shares in United News and Media, which publishes the Daily and Sunday Express newspapers. In regulatory terms, United would be an easier takeover target for Carlton than for MAI. Carlton could simply "warehouse" Express Newspapers in a dead-weighted company in a 50-50 place ownership in a 50-50 place ownership in partnership with a bank - which is precisely the strategy being adopted by United and MAI.

A Carlton bid for MAI would face a number of hurdles under present ownership rules and would be looked at closely by the Office of Fair Trading because it would give Carlton more than 40 per cent of ITV advertising revenues.

A number of newspapers suggested yesterday that Mr Green, who last week interrupted a holiday in the Caribbean before the United-MAI deal, was being encouraged to intervene. Mr Green declined to comment yesterday, although the fact that he was at home rather than at Carlton headquarters suggests nothing is imminent.

United-MAI believes Carlton is the only company likely to try to make a counter bid for one or other of the parties.

Another possible candidate, Lord Rothermere's Associated Newspaper group, publisher of the Daily Mail, is not interested. Its intention has been to wait until the broadcasting bill before Parliament is passed before making its move.

The bill will allow newspaper groups to own television stations and vice-versa. Possible Associated targets might include RTV, the ITV company for Wales and the west, or a buy in commercial radio, such as London station Capital.

**Roderick Oram reports on Allied Domecq's struggle to pull off a turnaround**

**Long wait for some news to raise the spirits**

Given that this is the year when everything is supposed to come right for Allied Domecq, 1996 has started rather badly.

A second profits warning in seven months from the international spirits, wine and retailing group last week knocked the shares back near to a five-year low. "The way that Allied gave its profits warning at its annual meeting signalled a company in serious difficulties," NatWest Securities' analysts advised clients.

Mr Tony Hales, chief executive since 1991, is credited with enhancing Allied's drinks side by buying Domecq of Spain for \$739m (£1,138m) in 1994 and shedding food manufacturing and peripheral activities.

But the strategy has yet to shine. When Domecq was bought, the City's forecast was for pre-tax profits this year of about \$750m. Negative factors have cut that to about \$580m.

Some are no fault of management, such as the peso devaluation of Domecq's Mexican profits. Others, such as over-stocking by some Allied drinks distributors, show inadequate management control, analysts believe.

City of London concerns are focused on the performance of drinks, which account for just under half the group's profits. A reorganisation begun last June turned Allied from a diverse holding company into a drinks group with a big side-line in retailing through UK pubs and off-licences, and Baskin-Robbins ice cream and Dunkin' Donuts franchised stores.

Mr Hales said he spends about half his time on the drinks side and the rest on other group activities. In contrast, full-time chief executives

run the spirits arms of Guinness, Grand Metropolitan and Seagram, which rank with Allied as the world's four largest spirits companies.

The four have had a tough five years, with drinkers reluctant to consume more or better products or accept price rises. The producers made matters worse by sharply reducing advertising spending in the recession of the early 1990s.

The problem is highlighted by the decline of Allied's key brands in the US, a country that generates about one third of its drinks profits. They fell faster than their markets during 1989-95, with shipments of, for example, Beehive gin off 30 per cent and Courvoisier cognac off 25 per cent, according to the company.

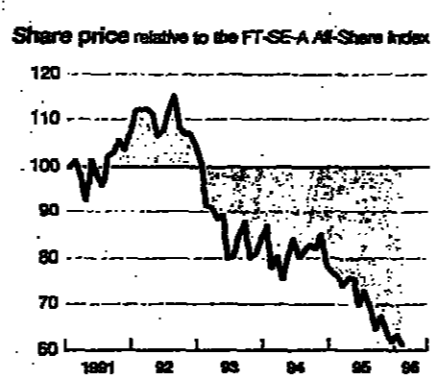
"We were under-spending on advertising and overpricing," said Mr Hales. Allied's US advertising spend halved between 1990-94, according to Jobson's, an authoritative drinks trade commentator.

Only in the past 18 months did the four companies begin to cut costs and invest the savings in more and better advertising and new products. Their complex brand, country and regional structures were ripe for rationalisation.

Now Allied has "brand centres" in Bristol and Los Angeles, which each have a portfolio to co-ordinate globally. Execution of marketing is in the hands of country organisations. All brand companies such as Harvey's sherry are simply producers and the supply chain is being streamlined.

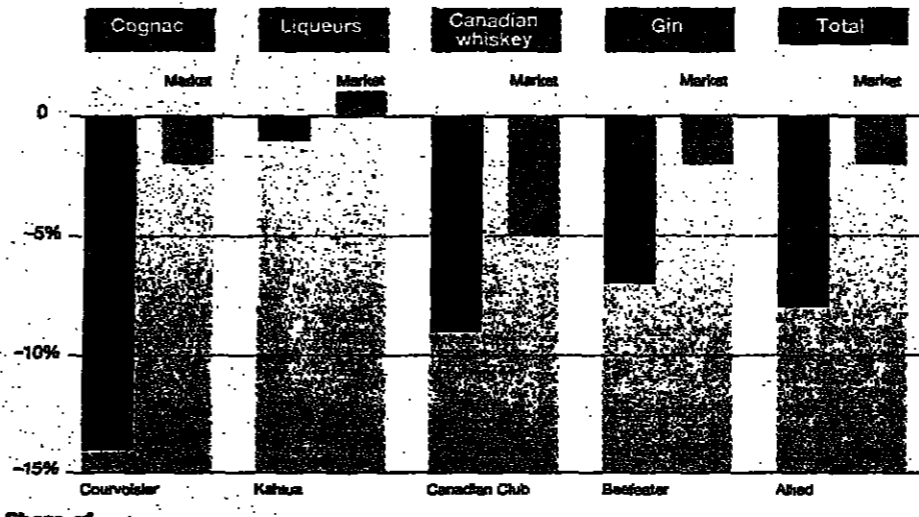
Allied lifted its spending on advertising, marketing and promotion by 12 per cent last year to about \$400m. At 13 per cent of sales, the spend is comparable to Guinness's and

**Scant cheer**



Tony Hales, chief executive

**Performance of leading brands in US Volume 1991-94 (% change)**



**GrandMet's** A rise of about 6 per cent is planned this year.

Allied believed it had turned the corner in the US, forecasting increased market shares there this year for its four main brands and a sharply rising trend thereafter. These plans were disrupted, however, by Christmas sales. The group had budgeted a 10 per cent rise in a static market, but poor sales by some brands, particularly Canadian Club, left increased stocks with distributors and retail purchases up

only a percentage point or two. Mexican news is brighter, with peso profits recovering. But sterling profits will still take several years to match the pre-acquisition peak. Europe is no less of a slog for Allied than its competitors, but in Asia it is trailing them while still searching for a new regional chief executive.

A pick-up in any of these regions would help allay fears of a dividend cut. But in any case, pre-tax profits of \$580m this year for 34p per share of

earnings would cover the current dividend about 1.4 times. Cashflow would only cover 80 per cent of the dividend but Allied's balance sheet gearing of 65 per cent would allow it to fund the difference with debt.

However, many in the City of London are eager for the arrival of Sir Christopher Hogg, one of the most respected executives in Britain, as chairman on April 1 to help Allied's management sharpen up its act. Lex, Page 20

**Analysts question De Beers cartel's claimed share of world diamond trade**

By Kenneth Gooding, Mining Correspondent

The international diamond cartel organised by De Beers of South Africa has a far smaller share of global trade in rough or uncut diamonds than it claims, according to an independent analysis of the market.

This suggests that world supply of rough diamonds in 1995 reached 130m carats, worth \$7.2bn, and that the cartel's share was 63 per cent, not the 70-80 per cent claimed by De Beers' London-based Central Selling Organisation.

The CSO's share of the market in 1994 was even lower - 56 per cent of global sales worth

\$7.6bn - according to the analysis, prepared by Terraconsult, an Antwerp consultancy, and Diamond International and published by the CRU International consultancy.

Diamond supply statistics are under greater scrutiny than ever from the industry and analysts because of worries about the cartel's future. The CSO is having difficulty negotiating a new contract with the Russian industry.

"Institutions and diamond companies are checking more closely than ever whether the CSO still actually retains control of the marketplace," says Mr Mark Cockle, editor of Diamond International.

The CSO has been losing market share partly because of Russian diamonds being sold outside the present contract.

There has also been an increase in activity by individual diamond hunters in Africa and South America, according to Terraconsult.

The research uncovered some anomalies: Belgian import statistics showed that more than 10m carats, worth \$730m, were imported from Liberia - far more than that country produces.

"It is likely that couriers bringing diamonds into Belgium have used Liberia as a cover to protect the source's origin," says Terraconsult. "The most probable sources

are Russia and Africa."

The CSO insists its share of the market remains at 70-80 per cent. It says the analysis fails to take account of the purchases the CSO makes in the free market, where it mops up excess supplies.

Neither, it says, does the analysis take full account of the fact that the CSO has a quota system and producers are being asked to stockpile 15 per cent of the diamonds that otherwise would have been sold through the cartel.

Terraconsult and Diamond International say that the CSO has done "a remarkable job" of matching supply and demand and the market has been kept in equilibrium.

**Prudential poised to determine stance on Farnell bid for Premier**

By Christopher Price

Prudential Corporation will today decide whether to support Farnell Electronics' £1.3bn takeover of Premier Industrial Corporation at Thursday's extraordinary meeting. The UK insurer's decision could prove crucial to the deal's chances of gaining shareholder approval.

Two institutional shareholders have come out publicly against the agreed merger, announced three weeks ago, which would create the world's third-largest electronics component distributor.

Standard Life and Legal & General both expressed concern over the price Farnell is paying for the US group and

the dilution to shareholders' earnings. There are also worries over the ability of the group to run such a huge undertaking, particularly with the Mandel family, which manages and controls Premier, holding a potential 25 per cent share in the new company.

So far, institutions speaking for about 7.5 per cent of Farnell shares have indicated they will vote against the deal. Norwich Union, which holds 3.5 per cent, was unavailable for comment yesterday on reports that it too will vote against.

The Farnell board requires three-quarters of the votes cast to win approval. Observers believe the vote is running in favour of the merger by five to two. The situation is likely to

be further complicated by the number of shareholders who both to vote. Typically, company meetings are attended and voted at by fewer than half the shareholders. Should the Prudential, which holds nearly 6 per cent, vote against, the gap would be closed, placing the outcome on a knife-edge.

However, given the controversial nature of the deal, a larger turnout could be expected, which is likely to favour the Farnell management.

Directors of the UK group have made more than 60 presentations to institutions in the past fortnight, and will continue today and tomorrow in an attempt to dissuade the dissenters.

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INTERNATIONAL COMPANIES AND FINANCE

Consortium meets today on German pay-TV system

By Judy Dempsey in Berlin

A consortium headed by Deutsche Telekom, the state telecommunications network, and Bertelsmann, Germany's largest media group, is holding a crucial meeting today aimed at seeking agreement on a standard decoding box for the launch of pay-per-view digital television this year.

"The market would not be split if we could agree. All the country's television networks would have wide access to programming. We would also be prepared to deal with any outside competition," a consortium member said. But will Kirch join MMBG? MMBG was set up last year by Bertelsmann, Deutsche Telekom and Canal Plus, the French commercial television network. Other shareholders include Veacom, the telecommunications division of Veba, Germany's industrial conglomerate, ARD and ZDF, the state television channels, and RTL, the country's leading commercial TV channel in which Bertelsmann has a 49 per cent stake.

This new company would develop the software which would give viewers access to programmes. Kirch also agreed to take a 9 per cent stake in MMBG. However, the talks have floundered, with Kirch still considering whether it would go it alone, with the result that Germany would be faced with two competing digital television systems. Kirch's hesitation has also fuelled speculation that it might be seeking an alliance with Rupert Murdoch in a bid to break MMBG. "Any alliance between Murdoch and Kirch would be against Kirch's interests," a consortium member said. "Kirch has a vast film library which would be ideal for MMBG. But so has Murdoch, through his Fox studios. Murdoch means competition for Leo Kirch. It is not certain Kirch would be prepared to lose his monopoly over his vast distribution rights or play second fiddle to Murdoch." Last week, Leo Kirch strengthened his position in the German-speaking market by paying over DM1.4bn

(\$947m) for a package of films from Columbia TriStar International Television (CITT), a subsidiary of Sony Pictures Entertainment (SPE). He has a ready-made market for distributing these rights. He holds a 43 per cent stake in Sat-1, the German commercial TV channel also owned by the Axel Springer newspaper group. Those films could help shore up Sat-1's flagging audience share, which dipped to 13 per cent last January, against an average of 14.7 per cent last year. He also holds a 25 per cent stake in Premiere, Germany's only pay-TV channel which has 1m subscribers, a 25 per cent stake through his son Thomas, in Pro-7, the rapidly growing commercial television network, and a 24.5 per cent stake in Deutsches Sport-Fernsehen, the sports channel. Analysts believe Kirch clinched the deal not only to keep ahead of the competition from RTL and ZDF. Both recently bought film rights from the US film studios Warner Brothers and Hearst Entertainment respectively to try to break Kirch's stranglehold on film distribution in Germany. "Kirch is also positioning himself for the future. That future is digital television. Of course he wants to set up huge film rights to keep his German competitors at bay. But he also wants to make sure he is in a strong position when digital television is launched," an analyst said. This acquisition of films places Kirch in a powerful bargaining position with MMBG. More importantly, Kirch, and Ufa, the film and TV subsidiary of Bertelsmann, recently secured the television rights for the Bundesliga, Germany's national football league. The only outstanding issue regarding the rights is which digital TV company will win them in the future. The football authorities said no decision had been made, largely because they want to see whether MMBG and Kirch will jointly launch a standard decoding box for pay-TV digital television, or go their separate ways.

NEWS DIGEST

Alcatel Alsthom hit by asset disposals

Alcatel Alsthom, the French telecommunications and engineering group, saw total turnover fall by 3.9 per cent last year to FF161.2bn (\$31.8bn) from FF167.6bn the year before. After stripping out the press interests sold to France's Havas at the end of last year, Alcatel said the fall in turnover - on a comparable basis with 1994 - was 2.9 per cent. The group, being reorganised by Mr Serge Tchuruk, its new president, said new orders booked during 1995 fell by 2.7 per cent - or 1.7 per cent on a comparable basis - to FF155.8bn, down from FF160.2bn in 1994. Turnover in telecommunications, the biggest slice of Alcatel activity, declined by 4.4 per cent, from FF70.5bn to FF67.7bn last year. Sales of cables, the group's second largest product category, rose from FF39.5bn to FF40.6bn, mainly due to better business in North America and southern Europe. Alcatel's half share with GEC of the UK in GEC Alsthom produced transport and power equipment sales of FF29.3bn, a rise of just under 10.8 per cent. Systems, a new unit grouping Alcatel engineering and turnkey projects, produced FF21.1bn of sales last year, marginally below 1994's performance. David Buchan, Paris

HK group plans spin-off

Henderson Land Development, the big Hong Kong property group, plans to spin off its China real estate arm with an initial public offering and by triggering the conversion of existing bonds into stock. Henderson Land will sell HK\$1.5bn (US\$194m) in new stock of Henderson China Holdings, mostly to institutions outside Hong Kong. About 15 per cent of the shares will be offered to the public in the territory, with holders of Henderson Land given preferred treatment. A bigger portion of the fundraising will be executed by permitting holders of HK\$360m in Henderson China convertible bonds to trade the debt for equity anytime within a year, for a price 15 per cent under the net asset value of the China property. Henderson China holds 22 real estate development projects on the mainland, mostly in Shanghai and around Guangzhou, and Henderson Land said the property has been independently valued at HK\$13.7bn. AP-DJ, Hong Kong

Aoki Corporation, a medium-size Japanese builder, said it would suffer an after-tax loss of about Y98.3bn (\$919m) in the year to March, wiping out almost half its capital. The loss, the first in its 33-year history as a quoted company, results from a reorganisation which would isolate bad debts and other problems associated with affiliated companies. Aoki will write off Y78.6bn in losses arising from loan guarantees for property companies and Y10.7bn from sales of shareholdings. A further Y12.9bn will be provided for payments for early retirement allowances as part of a restructuring. The workforce is to fall by 500 to 2,850 over the next few years. The reorganisation involves the separation of the company's hotel business from the rest of its construction operations. Gerard Baker, Tokyo

Rautaruukki of Finland, the Nordic region's second-largest steel producer, plans to buy out its Norwegian partner in Fundia, a Swedish manufacturer of long steel products, in a SKr710m (\$102m) deal. Fundia is 50-50 owned by Rautaruukki and Norsk Jerntrading. Fundia made SKr261m profit in the first eight months of 1995, putting it on course for a considerable increase on 1994's SKr154m profit for the full year. Christopher Brown-Humes, Stockholm

Kone counts the cost of accounting errors

By Hugh Carnegie in Stockholm

Kone, the world's third-largest producer of lifts, has reported a 35 per cent fall in profits in 1995 after suffering from a weak market in Europe, the costs of restructuring and unwinding deliberate accounting errors in its Italian operations. "The Finnish company said pre-tax profits fell from FM288m in 1994 to FM186m (\$40.5m), despite an increase in sales from FM7.6bn to FM9.5bn resulting from its acquisition of Montgomery, the US group. The profits fall was less steep than expected because Kone restated its figures from 1992, 1993 and 1994 to reflect the problems in Italy, rather than taking the full effect in the 1995 accounts. Profits during those years were inflated by a total of FM173m - of which FM110m fell in 1994 - as two of the group's senior managers in Italy exaggerated the amount of business they had been doing. Both have been sacked. Mr Aimo Rajahalme, Kone chief financial officer, said profits had been restated in the three years in line with the

occurrence of the inflated profits and shareholders' equity had been reduced accordingly. In 1995, the effects of the Italian fraud were less, but contributed to a FM70m financial burden resulting chiefly from the restructuring, in which four plants in the UK, the Netherlands, Germany and the Czech Republic, are being closed. Profits were also hit by increased depreciation charges and financial expenses relating to the 1994 acquisition of Montgomery. Kone said the effects of restructuring and benefits from Montgomery were felt this year, when profits would be "clearly better" than in 1995, leading to further improvements in profitability in 1997 and 1998. Kone, third biggest in the sector after Otis of the US and Schindler of Switzerland, said maintenance and modernisation accounted for 61 per cent of sales. Demand continues to be flat in Europe, which last year accounted for 57 per cent of Kone's business. But new orders grew by 31 per cent overall to FM6.6bn with 85 per cent coming from Montgomery.

Downturn at Pacific Dunlop

By Nikki Tait in Sydney

Pacific Dunlop, the Melbourne-based conglomerate which recently sold its large food-manufacturing interests, accompanied news of a 22 per cent fall in interim profits to A\$118m (US\$89m) with an announcement that Mr Philip Brass, its chief executive, is to retire at the end of the financial year. Profits were struck after tax but before abnormal items, and compare with A\$151.3m last time. After abnormal items, profits in the six months to end-December were A\$116.6m, against A\$113.8m. The results - partly reflecting asset disposals, including food interests - were scored on sales 9.4 per cent lower at A\$3.38m. Earnings per share (before abnormal items) slipped from 14 cents to 11.3 cents. The dividend was held at 11 cents. Pacific Dunlop said most of its on-going businesses had "a difficult trading period". The cables unit suffered from reduced demand in Australia, and the GNB Technologies results were hit by delays in commissioning a new lead smelter in the US.

European PC sales up 20%

By Paul Taylor

Sales of personal computers in Europe grew by 20.5 per cent to 4.78m in the traditionally strong final quarter last year, according to Dataquest, the market research firm. In recent years pre-Christmas sales have been boosted by purchases of multimedia home PCs. Sales growth in the 1995 final quarter was comfortably ahead of the 18 per cent growth recorded a year earlier but down sharply from the 29.5 per cent, 27.5 per cent and 23 per cent growth rates recorded in the first three 1995 quarters respectively. The slowing growth rate has been reflected in year-end statements from several manufacturers. Escom, the fast-expanding German PC retailer, has blamed a fourth quarter loss partly on disappointing sales. Dataquest shows that Escom's market share in terms of units sold in the fourth quarter fell from 4 per cent in the 1994 period to 3.2 per cent last year. It ranked as Europe's 10th largest PC seller, down from sixth a year earlier. German-based Vobis, which sells under the Highscreen brand, saw its market share drop to 3.7 per cent while Siemens Nixdorf, part of the

Table with 3 columns: PC MARKET COUNTRY BY COUNTRY, Q4 1994, Q4 1995, % change. Rows include Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Spain, Sweden, Switzerland, UK.

Siemens electronics group, overtook Vobis to become Europe's sixth largest PC group in sales terms, with 4.5 per cent. Other market-share losers included Italy's Olivetti group, troubled Apple Computer and IBM whose market share dropped from 10.1 per cent to 8.4 per cent. The main gainers included Compaq, which consolidated its position as the largest PC manufacturer with an increased 12.8 per cent of the European market, and Hewlett-Packard, whose General-based PC unit lifted its market share from 3.5 per cent to 5.5 per cent in the final quarter, ranking the US-based group as Europe's fourth largest PC maker. Packard Bell lifted its mar-

COMPANY NEWS: UK

Two final bidders for Dunedin

By James Buxton

Two Scottish fund managers are yesterday understood to have made their final offers for Dunedin Fund Managers, the Edinburgh-based investment management company controlled by Bank of Scotland which is for sale after staff defections and resignations. The two final bidders are Ivory & Sims and Edinburgh Fund Managers, both quoted investment managers based in Edinburgh. Other fund manag-

ers which expressed an interest have dropped out of the race. The sale of Dunedin could be concluded in the next few days. The successful bidder will need to make clear how it is going to meet the cost of the takeover, likely to be about £100m. The negotiations involve Bank of Scotland, which owns 50.5 per cent of Dunedin through its merchant banking subsidiary British Linen Bank, and three investment trusts managed by Dunedin: Edin-

burgh Investment Trust, Dunedin Income Growth and Dunedin Worldwide, which own the rest. With Ivory & Sims and Edinburgh Fund Managers each managing some £4bn of assets and Dunedin about £5.2bn, the new entity will have total assets under management more than £9bn, making it the next largest Scottish fund manager after Baillie Gifford, which has £11bn. Ivory & Sims is 29.9 per cent owned by Caledonia Invest-

ments, the holding company controlled by the Cayzer family. EFM, meanwhile, is controlled by British Investment Trust, which owns 54 per cent. Bank of Scotland had originally intended to find a new chief executive and chairman for Dunedin in a resignation in late October of Mr Ian Leslie Melville and Mr Alan Kemp, the executive chairman and his deputy. Four senior executives had left previously. Later another six fund managers said they intended to leave.

BTR in \$120m automotive purchase

By Patrick Harverson

BTR will announce this week the acquisition of a US automotive components manufacturer for \$110m-\$120m (£72m-£78m) in what will be the first deal struck by Mr Ian Strachan, the industrial conglomerate's new chief executive. BTR is buying the vibration control division of GenCorp, the US manufacturing group. The Indiana-based unit will be integrated into the UK group's automotive division, which already makes anti-vibration systems in Britain, Germany and Spain for car makers. Although the performance of the vibration control division has improved in the past year, US analysts expect 1995 profits to have increased sharply to \$11m (\$6m) on sales of \$160m (\$140m) - GenCorp has been unable to develop the business as an international components supplier and has admitted it would be a better fit with BTR. Last autumn, GenCorp blamed a decline in the automotive sector for reduced third-quarter operating profits of \$22.3m, against \$25.5m. The acquisition fits neatly into BTR's strategy of disposing of non-core businesses and focusing on industrial manufacturing. The strategy was first adopted by Mr Alan Jackson, the former chief executive who retired at the end of last year, and is being continued under his successor Mr Strachan, who took over in January. BTR recently expanded its presence in the Latin American automotive industries with the purchase of Metallurgia Carbo of Brazil. The group has also sold a variety of non-core businesses recently. In the last three months it has raised almost \$720m from the sale of its UK aggregates business, its withdrawal from the Malaysian petrochemicals industry and the disposal of its Dunlop Slazenger sports equipment subsidiary. More candidates for disposal are expected to be drawn up over the next few months.

Lloyd's investors see steep share price gains

By Ralph Atkins, Insurance Correspondent

Quoted Lloyd's of London investment vehicles have emerged from the doldrums to produce steep share price gains, marking a revival of interest in the 300-year-old insurance market. Share prices relative to the FT-SE All-Share Index have jumped as much as 20 per cent in recent weeks, marking a renaissance for the Lloyd's corporate investment companies which have provided capital for underwriting at the market since 1994. On average, relative prices have risen about 9 per cent since the start of the year. Corporate investment was allowed by Lloyd's to establish an alternative to funds pro-

vided by Names - individuals whose assets have traditionally supported Lloyd's on the basis of unlimited liability. After bearing the brunt of more than £8bn in losses reported in recent years, the number of Names is expected to decline steeply by the end of the decade. There are 16 listed Lloyd's corporate investors trading with limited liability. Some support a spread of Lloyd's insurance syndicates to control risk; others have concentrated on supporting only a few. Part of the re-rating reflects the fact that in addition to supporting underwriting, much of the vehicles' funds are invested in equities which have performed well. But some - including the two biggest, Limit and Angerstein - have seen prices rise above net asset values. Mr Chris Hitchings, analyst at UBS, said the stocks had been largely ignored for some time, but now Lloyd's was close to being a buy. Mr target date for implementing its recovery plan, more attention was being paid to valuations. Prices have also been supported by the setting up in November of a £60m investment trust, chaired by Mr Matthew Harding, the millionaire backer of Chelsea Football Club, specialising in Lloyd's of London corporate members. Interest could grow over coming months as the first underwriting profits - under Lloyd's system of reporting three years in arrears - come closer.

Flemings tries to quash rumours

By Nicholas Denton

Members of the Fleming family moved yesterday to quash renewed speculation that they are open to approaches for their key shareholding in Flemings, one of the few remaining independent UK investment banks. "We are very determined to remain independent and see no advantage to tying up with another party," said Mr Roddy Fleming, a director and representative of the family. "We are not for sale. We want to remain where we are." Several banks building up investment banking businesses have sounded out Flemings to test the strength of its public commitment to continued independence. They have fixed upon Flemings because it, along with Schroders, is the largest remaining independent investment bank. Internationale Nederlanden Groep put out feelers before it acquired Barings, the UK investment bank which collapsed nearly a year ago. National Westminster is also understood to have made an informal approach. But Flemings has discouraged all overtures. While founding families often diversify their personal assets, the Fleming family has gradually restored its stake in the investment bank in the last three years, lifting its holding to 35 per cent. It said it had acted to cement ties by drawing more younger relatives into employment at



Robin Fleming: his bank has discouraged approaches

FI plans float with £60m tag

By Paul Taylor

FI Group plans a stock exchange flotation through a placing with institutional investors which is expected to value the specialist computer services and outsourcing company at about £60m. The group will be the third computer services company to come to the market since the autumn, highlighting the rehabilitation of the sector and the return of investor confidence. FI Group, based in Hemel Hempstead, Herts, has carved out a profitable niche by focusing on the high growth market for applications management, particularly in the finance, retail and leisure and service sectors. The UK market in this area grew from about £230m in 1994 to £255m last year. FI Group is acknowledged as a leader in this field - in the year to April 30 about 70 per cent of its £61.7m turnover came from this work. In the six months to October 31 the group reported a 38 per cent increase in pre-tax profits to £2.09m on revenues up 32 per cent to £37.4m. The group's contracts are typically with large organisations which are highly dependent on complex IT systems and have big databases. They include Barclays Bank, London Electricity, Royal Insurance, Tesco and Lloyds TSB. Most recently FI Group has signed five-year contracts with Whitbread, the Co-operative Bank and Thames Water.

Escapes from takeovers underperform market

By Patrick Harverson

Large companies escaping hostile takeovers in the past decade have seen their share prices subsequently underperform the stock market by a wide margin, according to a report by Scottish Amicable Investment Managers. Today's report, The Ones that Got Away, shows shares in companies which fought off predators in large bids between 1986 and 1994 underperformed the market by almost 20 per cent in the first three years after the bid had failed. In a study of 15 bids, each worth more than £250m, the shares of only three target companies outperformed the market. Among the worst performers were Storehouse, the retailer, whose share price underperformed by 66 per cent three years after the group defeated a bid from Benlox in 1987, and Hammerson, the property group, whose shares underperformed by 56 per cent in the three years after Rodamco's failed 1988 offer.

Funds wary of UK equities

British fund managers are growing increasingly wary of the outlook for UK equities, according to the latest monthly Gallup survey sponsored by Merrill Lynch, writes Jeffrey Brown. The poll found that, in early January, 27 per cent of fund managers were looking to reduce holdings of UK equities - more than double the proportion (12 per cent) in the preceding month. The survey, carried out among 79 institutions handling £83bn of managed funds, found bulls outnumbered bears by 16 percentage points on a three-month view of UK shares, while the ratio for the month of January was 44 percentage

points. Respondents were also nervous about the outlook for UK bonds with a balance of 23 per cent of fund managers planning to reduce their holdings of gilts. Gallup describes the findings as "consistent with respondents' view on the outcome of the next UK general election". Some 95 per cent of money managers believed Labour would win most seats. In the December poll, UK institutions turned seller of European equities for the first time in nine months. The latest poll lists Hong Kong and Singapore as the most favoured equity markets.


Table with 5 columns: BIDDER/INVESTOR, TARGET, SECTOR, VALUE, COMMENT. Rows include Farnell Electronics (UK), Gebe (Germany), Clyde Petroleum (UK), Johnson Matthey (UK), Inspec (UK), Morgan Crucible (UK), Headlam (UK), TI Group (UK), Pearson (UK), Haden MacLellan (UK).

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# EXCELLENCE IN EUROPE

## Equity, Fixed Income and M&A

August 1995




**INVESTCO PLC**

60,000,000  
Ordinary Shares in the form  
of Ordinary Shares or  
American Depositary Shares

Global Coordinator

November 1995



**Koor Industries Limited**

6,950,000  
American Depositary Shares  
Representing  
1,390,000 Ordinary Shares

Joint Global Coordinator

May, July 1995


**NERA**

Nera AS  
Sale of  
2,128,000 Ordinary Shares from  
Asea Brown Boveri AS

2,009,245  
Ordinary Shares in the form  
of Ordinary Shares or  
American Depositary Shares  
and listing of  
Nera AS on NASDAQ

Agent in a series of sales to institutional  
investors and Bookrunner

October 1995




**SGS-THOMSON  
Microelectronics NV**

20,700,000  
Common Shares

Co-Global Coordinator

October 1995



**Abbey National plc**

U.S.\$750,000,000

6.69% Subordinated Notes due 2005

Joint Bookrunner

January 1996

**GlaxoWellcome**

Glaxo Wellcome plc

U.S.\$500,000,000

6.125% Notes due 2006

Joint Bookrunner

April 1995

LANDESBANK RHEINLAND-PFALZ

LB Rheinland-Pfalz  
Finance BV


DM 1,000,000,000

7.25% Notes due 2005

Unconditionally and Irrevocably Guaranteed by  
Landesbank Rheinland-Pfalz-Girozentrale-

Joint Bookrunner

May 1995



**REED ELSEVIER  
Reed Elsevier Capital Inc.**

U.S.\$150,000,000  
6.625% Notes due 2000  
U.S.\$150,000,000  
7.00% Notes due 2005  
U.S.\$150,000,000  
7.50% Debentures due 2025

Fully and Unconditionally Guaranteed by  
Reed International P.L.C. and Elsevier NV

Lead Manager

Pending



**Ameritech International, Inc.  
and  
Singapore  
Telecommunications Limited**  
(in consortium with Tele Danmark A/S)

have acquired a 50% less one share interest in

**Belgacom S.A.**

Financial advisor to  
Ameritech International, Inc. and  
Singapore Telecommunications Limited

March 1995

**BASF**


BASF AG

has acquired the  
Pharmaceuticals division of

**The Boots Company PLC**

Financial advisor to BASF AG

October 1995



**NETHOLD**


PTB Pay-TV  
Beteiligungs GmbH,  
NetHold B.V.  
and  
Kingdom 5-KR-16 Ltd.

have acquired an 18.5% interest in

**Mediaset S.p.A.**

Financial advisor to PTB Pay-TV  
Beteiligungs GmbH, NetHold B.V.  
and Kingdom 5-KR-16 Ltd.

November 1995



**Istituto Bancario  
San Paolo di Torino S.p.A.**


has increased its stake to 100%  
and merged with

**CREDIOP**

Joint financial advisor to Istituto  
Bancario San Paolo di Torino S.p.A.

December 1995


**The Ministry of Finance of  
the Republic of Hungary**  
has sold a majority stake in



**Budapest Bank Rt.**  
to  
**GE Capital**  
and  
**European Bank for  
Reconstruction and Development.**

Joint financial advisor to The Ministry  
of Finance and Budapest Bank Rt.

October 1995



**Rhône-Poulenc Rorer Inc.**

has acquired

**Fisons plc**

Financial advisor to  
Rhône-Poulenc Rorer Inc.

July 1995

**RTZ**

**The RTZ Corporation PLC**

has acquired a minority interest in  
and formed an exploration and  
development joint venture with

**Freeport-McMoRan  
Copper & Gold Inc.**

Financial advisor to  
The RTZ Corporation PLC

October 1995

**VEBA**

**VEBA AG**

has entered into a strategic alliance with

**Cable and Wireless plc**

This transaction included the sale of 45%  
stake in Vebacom GmbH to  
Cable and Wireless plc and the acquisition  
by VEBA AG of a 50% stake in  
Cable and Wireless Europe, S.A.

Financial advisor to VEBA AG

# LEHMAN BROTHERS

ING BANK
उभरती अर्थ-व्यवस्थाओं और पूंजी बाजारों में महिहर हैं हम
ING BARINGS

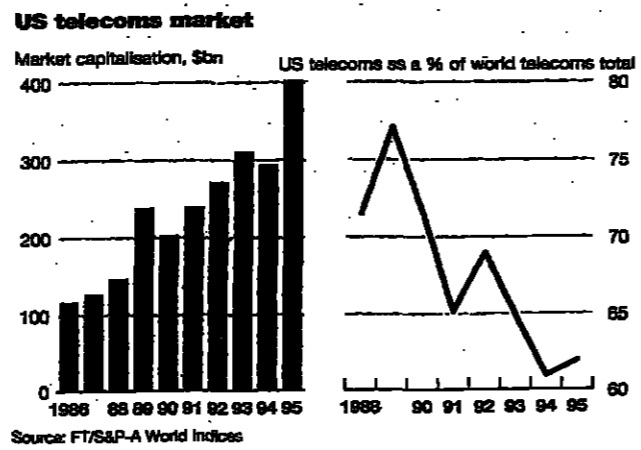
FINANCIAL TIMES
MARKETS
THIS WEEK

ING BANK
At Home in Emerging and Capital Markets
ING BARINGS



Amid the bro-haha of last week's signing of the US telecommunications bill, there was one small but striking detail. Merrill Lynch and Salomon, two of the biggest and most international of Wall Street's broking houses, said they expected 20 per cent of their future revenues in investment banking to come from telecoms worldwide.

Investors will be asked to put up tens or even hundreds of billions of dollars to fund the industry's transformation. It is worth reflecting on the nature of this investment. As privatisation and liberalisation become the norm, what will global telecoms look like? To begin with, the past will be no guide to the future. The whole point of liberalisation is that equity is needed to fund the process of change. That same process alters the industry's operating characteristics.



As Ms Springer remarks, she is no longer impressed when a phone company says it is cutting costs. What matters is how fast productivity is rising relative to the competition: and that in turn depends largely on how fast people can be thrown out of work.

Table with 7 columns: US, Japan, Germany, France, Italy, UK. Rows include Cash, Bonds 3-5 year, Bonds 7-10 year, Equities, West, Year.

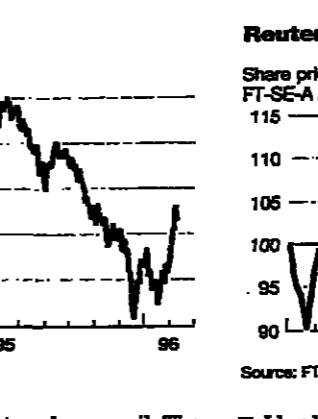
Two simple rules suggest themselves. Make sure the company has a detailed description of its new regulatory framework and look for clear and specific targets on cutting costs. Even so, expect surprises.

\$2.6bn under management, claims to be the biggest fund of its kind in the world. Where does its manager, Mr Michael Mahoney, stand on the controversy? Simple, he says. He holds no stock in either long distance or local companies.

COMMODITIES Richard Mooney

Gold forum is well timed. The timing of the International Precious Metals Forum that opens at London's Dorchester Hotel today could hardly have been better.

Company news SE-Banken hopes to shed loan loss woes. Skandinaviska Enskilda Banken will be hoping to draw a line under an embarrassing loan loss which plagued it last year.



Mersey Docks and Harbour Company. Analysts had hoped that the transport company would report pre-tax profits of \$39m on Thursday.

YKK More Than Just a Good Zipper... Our Advanced Architectural Products Are Changing The Face of The World. YKK CORPORATION

Change of Address Financial Times (France) Ltd As of 8th January 1996. 42 Rue La Boétie • 75008 • Paris • France

Les Echos The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity.

Investor: The question for shareholders in the main investment vehicle of the Wallenberg empire is when it will launch the promised flotation of at least a 65 per cent share of Scania.

High crude prices to fuel oil groups. British Petroleum, which saw its share price rise to record levels last year, is expected to report replacement cost profits (which strip out the effects of oil price changes) of \$480m-£570m when it reports its fourth-quarter results tomorrow.

Foster's Brewing: The Melbourne-based brewer will feel the effects of the A\$425m (£208.3m) sale of its Courage business in the UK last year.

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SEND US YOUR OWN PAPERCLIP. And while you are at it, please attach your cheque to fund more Macmillan Nurses in the fight against cancer. THE MACMILLAN APPEAL

FT/S&P ACTUARIES WORLD INDICES. Table showing indices for various countries including Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Hong Kong, India, Italy, Japan, Korea, Malaysia, Mexico, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, United Kingdom, USA, etc.

Handwritten text in Urdu: مکتبہ القرآن

The Emerging Investor / Matthew Kaminski in Chisinau
Attractions and drawbacks of the Baltics

When banks collapse in emerging markets, the economy suffers and the undeveloped financial system loses precious liquidity. But as shown in Latvia and Lithuania, the small Baltic countries languishing through a painful banking shake-out, investors might be wise to keep a close eye on the debt market.

Moldova's stock market expands. Moldova's small capital market looks set to expand after the successful completion of a mass privatisation programme two months ago, writes Matthew Kaminski. With 1,142 large companies turned over to the private sector for free vouchers since 1993, the secondary market will be a good way for many to raise the capital needed to modernise.

sche Morgan Grenfell report noted that the bigger Estonian companies were likely to prefer to list across the Gulf of Finland on the Helsinki stock exchange, as Tallinn's Hansa Bank did last year. The Estonian privatisation agency said one last tender for an unspecified number of companies remained to be completed. It will then concentrate on preparing the large electricity, gas and telecommunications companies and the ports, for privatisation this year.



News round-up

Strategy: A heavily overvalued US stock market is likely to fall sharply over the next 12 months and global economic growth will come from the Asian economies, says Mr Barton Biggs of Morgan Stanley Asset Management. Taipei: The Securities and Exchange Commission plans to allow foreign mutual funds to invest in the stock market.

CURRENCY MARKETS

Sterling takes centre stage

Sterling will be the initial focus this morning as London markets have their first opportunity to respond to the IRA's resumption of its bombing campaign in the UK. Expectations are that the pound will experience some selling pressure, as it did in New York on Friday after the explosion in London's Canary Wharf, but there is little reason to expect sustained weakness.

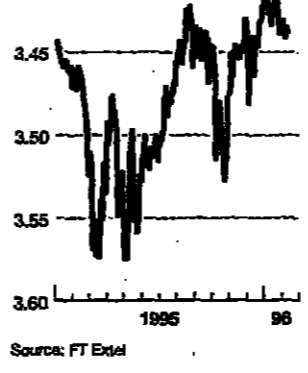
Thursday of the politically controversial Scott report into the "Arms to Iraq" affair. It is possible that publication of the report will lead to ministerial resignations, placing further pressure on a government already weakened by a waffling majority. Elsewhere, markets will be keeping an eye on the meeting today in Bonn of Mr Helmut Kohl, the German chancellor, and his French counterpart, Mr Alain Juppé.

be expected to pass without a re-affirmation of the Maastricht schedule. But only some development seriously at odds with this view would interest markets. Later in the week attention will shift to Frankfurt where the Bundesbank council meets on Thursday. Recent comments have dampened expectations of an early cut in official German interest rates, though a further move on the repo rate is possible.

French franc: Against the D-Mark (FF per DM) 3.40. The dollar looks set to remain rangebound, with little scheduled news out of the US, but the market remains optimistic. A survey conducted last week for the financial markets consultancy, IDEA, found 35 respondents suggesting a median value for the dollar in two months' time of Y108 and DM1.9550.

Philip Gawth

French franc



ING Baring Securities Emerging Markets Indices

Table with columns: Index, 9/2/96, Week on week movement, Month on month movement, Year to date movement. Lists indices for Latin America, Europe, Asia, and other regions.

FT GUIDE TO WORLD CURRENCIES

Large table listing exchange rates for various currencies against the US Dollar, D-Mark, Yen, Swiss Franc, and British Pound. Includes columns for currency codes and rates.

REGENT KINGPIN CAPITAL MANAGEMENT LIMITED (REGULATED BY IMRO) is pleased to announce that the continuing offer of shares, with warrants attached, in CZECH VALUE FUND (an exempted closed-end Cayman Islands company) has closed with (total subscriptions of) US \$ 58,133,088.

The Financial Times plans to publish a Survey on The Humber Ports: Gateway to Europe on Thursday, March 14. The FT is circulated in 160 countries worldwide, with a readership in excess of one million people.

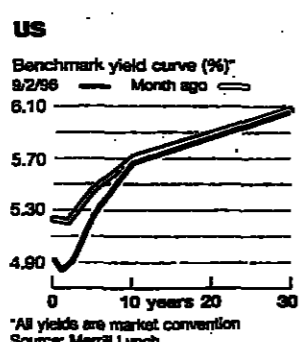
SIGMA SECURITIES S.A. - MEMBER OF THE ATHENS STOCK EXCHANGE. Includes sub-sections for ATHENS STOCK EXCHANGE Feb 2nd - Feb 9th 1996, CURRENCY, and ARGUMENTS. Also features 'THE TAX FREE WAY TO PLAY THE MARKETS' and 'OFFSHORE COMPANIES'.

WORLD BOND MARKETS: This Week

NEW YORK

Richard Tomkins

US Treasuries have had a choppy week, weighed down by the new securities that hit the market with the Treasury's quarterly refunding auctions.

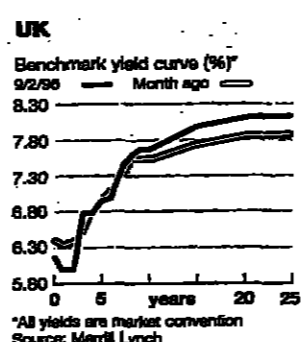


Philadelphia Federal Reserve district. Closely watched will be the business conditions diffusion index in the Philadelphia business outlook survey, due on Thursday.

LONDON

Conner Middelmann

After tracking US Treasuries and German bunds in the past fortnight, UK gilts will have a healthy crop of home-grown data to lead the way this week.

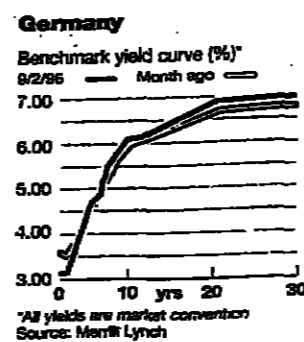


prices index data will be key, and are widely expected to show a further fall in the underlying RPIX rate to 2.7 per cent from 3.0 per cent in December.

FRANKFURT

Andrew Fisher

The financial markets had some gloomy data to digest last week, with record unemployment and falling orders.

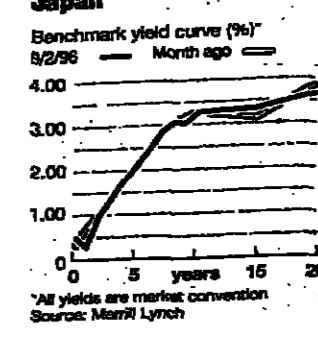


the discount and Lombard rates (now 3 and 5 per cent respectively) at Thursday's council meeting, with the fixed-rate securities repurchase (repo) level rolled over for another two weeks, but does expect an eventual rate cut.

TOKYO

Emiko Terazono

A rise in the supply of new debt is worrying some market participants as an increasing number of companies dip into the market for funds.



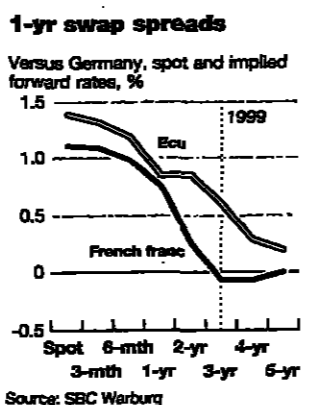
The bond market may also be hit by selling by Norinchukin, the leading agricultural financial institution.

Government bonds

How to get from Ecu to euro via Emu

You have a better chance of being struck by lightning than finding an economist who believes European monetary union will take place in 1999 with the original signatories to the Maastricht agreement.

Ecu, a currency backed effectively by nobody. A two-tier market has developed, she says, with issues that redeem in Ecu because they expire before 1999 trading cheaper than those maturing after 1999 and currently due to be redeemed in euro.

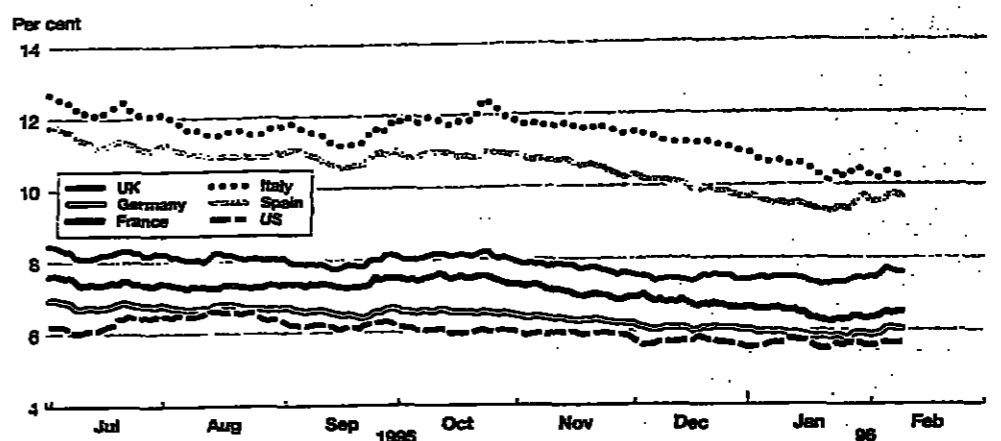


were purchased in because it would contain a greater D-Mark weighting. But good news for investors has another side: borrowers face repayment in a stronger currency, which may explain the shrinking size of the market.

"Despite the recent negative publicity there are still a number of people who believe that the politicians might get it pushed through," said Mr Garry Jones, head of global bond strategy at Paribas.

that even if Emu doesn't happen, French rates will fall. But he sounds a note of warning: "What is very clear from these charts is that the market is very exposed to disappointment on Emu, and a postponement would threaten the market unless it was replaced with a very credible Emu process."

10-year benchmark bond yields



INTEREST RATES AT A GLANCE

Table with columns for USA, Japan, Germany, France, Italy, UK and rows for Discount, Overnight, Three month, One year, Five year, Ten year interest rates.

US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

Table with columns for Month, Open, Settle, Change, High, Low, Est. vol., Open int. for March, June, and September.

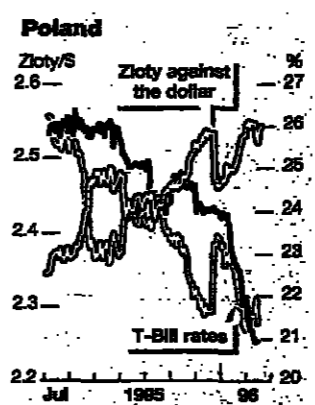
Advertisement for ORKLA ASA, USD 600,000,000 Multi-Currency Revolving Credit and Guaranty Facility, listing various banks and agents.

Advertisement for WWF (World Wide Fund for Nature) featuring a tree and the text 'TO SAVE ALL THESE TREES WE HELP CHOP DOWN THIS ONE.'

International bonds

Zloty issues given a warm welcome

Spurred by international investors' desire for greater exposure to Poland's economic boom, the zloty has become the latest eastern European currency through which borrowers can tap the eurobond market.



inspired by the success of the EBRD's offering, ING Bank issued \$50m of 20% per cent zloty-linked bonds and Midland Bank sold \$25m of 90 per cent bonds last week, both with maturities of one year.

variety of buyers: retail investors keen on the hefty coupons, corporates who have interests in eastern Europe and are familiar with managing currency risks, emerging-market funds and fixed-income funds looking for extra yield.

Advertisement for US\$460,000,000 Mandatorily Convertible Guaranteed Bonds issued by Henderson Capital International Limited, including terms and conditions.

Table titled 'NEW INTERNATIONAL BOND ISSUES' listing various bond issues with columns for Issuer, Amount, Maturity, Coupon, Price, Yield, Launch spread, and Book runner.

Handwritten Arabic text: 'مكتبة التجميع'



EQUITY MARKETS: This Week

NEW YORK

Tony Jackson

Wall St starts the week in tricky territory

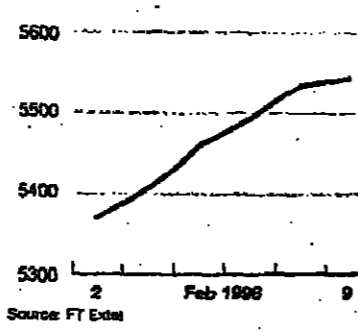
The equity market starts the week in tricky territory. It is only three months since the Dow went through 5,000, and already it is 10 per cent higher at 5,500.

Last week's Treasury auction - the biggest in history - produced the lowest yield on the benchmark 30-year long bond since the series started in 1977.

If the bond market is counting on recession, so much the worse for corporate earnings. Indeed, the strength of the two markets may be reaching the point where both cannot be right.

The picture of the real economy is especially murky. The sharp slowdown in some sectors at the end of last year and the reduction of inventories may have been reversed, but the severe weather early this year has made it difficult to be sure.

Dow Jones Industrial Average



This week will bring some relevant data. The Philadelphia survey on the business outlook, out on Thursday, is likely to show further weakening of business confidence.

The survey will be of especial interest since other data this week - industrial production, factory orders and business inventories - are out of date because of the government shutdown.

Equally relevant will be any comments on current trading by companies reporting on the fourth quarter; but the bulk of the results season is already over.

LONDON

Philip Coggan

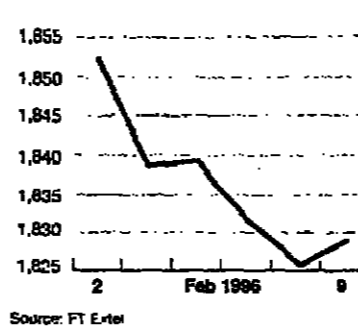
Investors to focus on first annual results

The first notable announcements of the results season are likely to grab investors' attention this week, especially as a number of profit warnings have caused concern about the rate of earnings growth.

Leading companies reporting this week include BP, Reuters, Shell, Hanson, Lloyds Abbey Life and Lloyds TSB. The figures themselves will be of great interest, but even more so the statements on current trading.

On the economic front, the market will have to absorb the normal mid-month deluge of data, notably producer prices today, unemployment and average earnings on Wednesday, retail prices on Thursday and the public sector borrowing requirement on Friday. Wednesday also sees the

FT-SE-100 All-Share Index



publication of the Bank of England's quarterly bulletin on inflation. The market's recent tendency has been to welcome weak economic data as increasing the chance of an interest rate cut. But it may be reaching the point when it starts to worry more about the likelihood of recession and the effect on corporate profits.

Publication of the Scott report into the sale of arms to Iraq may cause some jitters. The market still hopes the Conservative government can last into 1997; signs of an early election would not be taken well.

International offerings

Prospects brighten for Chinese H share offerings

Improving sentiment towards China and the weight of its over-allotment option. The issue was seen as an encouraging sign for the subdued market for international offerings from China.

The consensus among bankers in Hong Kong is that four issues will be launched by summer, with smaller capital raisings from companies in government-supported sectors likely to lead the pack.

"A lot of uncertainties surrounding China have been removed, especially on import tariffs and the austerity measures, which will ease this year. This will enhance the prospects for China enterprises, and it will become far easier for them to list," said Mr Peter So, assistant director with Schroder Securities Asia.

China's overseas equity raising programme began with a bang in July 1993 when Tsingtao Brewery issued the first H shares, the name given to the Hong Kong-listed units of former Chinese state enterprises.

Huge success was to come out of the applications and Tsingtao's HK\$500m offering was 110.5 times oversubscribed.

But by last year the positive sentiment had fizzled out, and just three H share issues made it to market, reflecting investors' growing disenchantment with the macroeconomic environment in China and the quality of the companies coming to market.

Some bankers reckon the much-delayed power issues, including Shandong International Power Development (SIPD), could meet a more sympathetic reception this year as falling inflation in China will mean improved real rates of return on projects.

SIPD's HK\$2.7bn global offering, co-sponsored by Goldman Sachs and Peregrine Capital, has been on the back-burner since November 1994.

An imprecise edict from Beijing curtailing the rate of return available to foreigners on power projects conspired with concerns over foreign exchange guarantees to cloud the sector and chase off international investors.

Protracted talks with the Chinese government on tariff agreements has also haunted Datang Power, estimated to be seeking HK\$500m and sponsored by Salomon Brothers.

Mr Alex Ko, a director with Peregrine Capital, reckons the trend for all listings is for an international placement with a Hong Kong public offering.

Bankers reckon the improved sentiment towards China will help blast p/w multiples, but they are wary of a blanket approach. Mark Hantho, head of equity capital markets at Morgan Stanley Asia, points to the 15 per cent year-to-date rise in the index tracking the performance of the A share companies and the 10 per cent increase in the index for their China-listed counterparts, the hard-currency B shares.

China itself, which has two B share markets in Shanghai and Shenzhen, is likely to witness more activity this year, at least partially as a result of government efforts to support the depressed markets and improve their credibility.

Louise Lucas

OTHER MARKETS

MILAN

The Italian stock market reaches an important milestone on Friday when it moves to full five-day cash settlement on all its approximately 320 quoted stocks, writes John Simkins.

It marks the end of a process which began in January 1994 with 53 of the least liquid and least traded stocks and is in line with the worldwide trend for short settlement periods.

Herbert, settlement in Milan has been at the end of the stock exchange calendar month.

The intention is to make the market more transparent and trading less risky.

As the smooth functioning of a stock lending market is seen as crucial to the success of five-day settlement, the exchange has endeavoured to provide traders with the requisite tool kit, such as a framework of stock lending contracts.

Five days has also been the period favoured by the exchange for the introduction on February 19 of options on individual stocks, starting with Eni, Generali, Fiat, Stet, Tim and Telecom. Eventually all options will be traded on all stocks in the Mib 30 index.

ZURICH

There is little in the way of corporate news scheduled for this week to pull the market out of its volatile consolidation of last year's sharp rise.

Instead, investors will have to wait until the end of next week for full-year figures from UBS, which may also provide a brief update on the state of play of the bank's battle with its dissident shareholder, Mr Martin Ebner.

Blue chips have been out of favour in recent sessions. Attention has turned to mid-cap stocks, with domestic and foreign brokers issuing a series of recommendations. Among the stocks drawing attention have been Kuoni, the travel operator, which has risen by 27 since the beginning of December, Adia, the temporary employment agency, up 27 per cent since mid-January, and Danzas, the freight forwarding company, up 20 per cent since the start of this month.

Smaller but still substantial rises have been seen in Keramic, the building materials and porcelain group, almost 8 per cent higher since mid-January; and Schneider, the lifts and elevator maker, which has risen more than 10 per cent this year.

PARIS

The equity market fell back slowly but steadily during the course of last week, and even a 15 basis point cut in the intervention rate on Thursday, bringing it down to its lowest level in two decades, failed to enliven sentiment.

While there has been some disappointing corporate news, hardly a surprise to investors, the market's fall seems to have been triggered more by a desire to take profits. The CAC-40 reached an 18-month high of 2,024 at the start of the month, since when it has been back-peddalling.

Results this week include Bancare tomorrow, with estimates of a 10 per cent increase in the bank's net profit, and Roussel Uclaf, which is due to publish its 1995 report on Thursday, for which the consensus is for a fall in earnings.

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doubling of losses in the film division. But it expects the company to be positive on the 1996 outlook, given its strong release schedule in music.

Royal Dutch's full-year figure is expected to indicate a 23 per cent fall in the fourth quarter, to include restructuring charges for head office reorganisation and the sale of Turkish assets.

UBS expects Phillips full-year figures will imply a rise in fourth quarter operating profit of 7.7 per cent. It forecasts that components will again be the strong driver behind profit growth, with an estimated 33 per cent fourth-quarter rise.

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HK\$5.3bn placement by Cheung Kong, the property developer controlled by Li Ka-shing. Mr Li's cash raising, which in the past has coincided with market peaks, saw the market trade lower from Wednesday to Friday.

The wave of warrant issues intensified last week, and merchant bankers reckon there is still appetite for these instruments.

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HONG KONG

The market is in for a quieter week, with retail activity drying up ahead of the lunar new year holiday from next Monday.

Banking stocks are likely to remain in the limelight following the strong performance revealed by Bank of East Asia, the colony's third biggest listed bank, last Thursday. HSBC and Hang Seng Bank, the two biggest banks, report their final results at the end of the month.

Brokers expect more warrant issues and cash raisings following last Tuesday's

TOKYO

Speculative stocks have dominated trading recently, and a series of mysterious one-line classified advertisements have appeared in some of the morning dailies, writes Emiko Terazono.

The advertisements, thought to be codes placed by a stock speculator who moved share prices in the late 1980s, have spurred a flurry of excitement among investors. While the stock speculator has written to leading newspapers and other publications denying involvement, the rally in speculative stocks is likely to continue in the near term.

Mr Peter Tasker, strategist at Kleinwort Benson, sees the spate of events as "the end of the long process of asset deflation".

Compiled by Michael Morgan

The Financial Times plans to publish a Survey on

Latin American Finance & Investment on Monday, March 25.

It is not yet clear whether the Mexican financial crisis represents a short-term disappointment or a more fundamental setback to the region's long-term growth prospects. This survey will review the issues and policy responses to the crisis, and the prospects for foreign investment in Latin America.

For more information on advertising opportunities in this survey, please contact: Penny Scott in New York: Tel: (212) 688-6900 Fax: (212) 688-8229

FT Surveys

Advertisement for GARIPLO Floating Rate Depository Receipts 1996 issued by The Law Debenture Trust Corporation plc. Includes details on interest rates and agent Morgan Guaranty Trust Company.

Advertisement for ASPINAG International Bank for Reconstruction and Development. Includes details on floating rate notes due 9th February 2001 and agent Morgan Guaranty Trust Company.

Advertisement for FT CITYLINE Sector reports by Fax. Includes details on banking and insurance reports and contact number 0891 437 151.

Advertisement for Signal. Includes details on real-time quotes, Forex rates and news headlines on your PC with Signal. Contact number 44 + 171 600 6101.

Advertisement for KNIGHT-RIDDER'S FUTURES MARKET DATAKIT FROM \$570. Includes details on the kit's features and contact information.

Advertisement for FUTURES PAGER. Includes details on currencies, futures, and indices. Free 10 day trial. Contact number 0500 800 456.

Advertisement for LIBERTY LIFE ASSOCIATION OF AFRICA LIMITED. Includes details on capitalisation share award and right of election to receive a 29.6% increased final cash dividend of 140 cents per share for the six-month period ended 31 December 1995.

Advertisement for GARIPLO Floating Rate Depository Receipts Due 1996. Includes details on interest rates and agent Morgan Guaranty Trust Company.

Advertisement for EUROPEAN INVESTMENT BANK. Includes details on floating rate notes due 2000 and agent Morgan Guaranty Trust Company.

Advertisement for CREDIT COMMERCIAL DE FRANCE. Includes details on subordinated floating rate notes due 2005 and agent Morgan Guaranty Trust Company.

WORLD STOCK MARKETS

EUROPE
Austria (Feb 9 / Sch)
Belgium (Feb 9 / Fra)
Germany (Feb 9 / Dm)
Italy (Feb 9 / Lit)
Netherlands (Feb 9 / Gld)
Portugal (Feb 9 / Esc)
Spain (Feb 9 / Ptas)
Sweden (Feb 9 / Kronor)
Switzerland (Feb 9 / Franc)
Turkey (Feb 9 / Lira)
Greece (Feb 9 / Drachma)
Norway (Feb 9 / Kronor)
Poland (Feb 9 / Zloty)
Finland (Feb 9 / Marka)
France (Feb 9 / Franc)
UK (Feb 9 / Pound)

ASIA
Hong Kong (Feb 9 / HK\$)
Japan (Feb 9 / Yen)
Korea (Feb 9 / Won)
Taiwan (Feb 9 / New Dollar)
Thailand (Feb 9 / Baht)
Singapore (Feb 9 / Dollar)
Malaysia (Feb 9 / Ringgit)
New Zealand (Feb 9 / Dollar)
Australia (Feb 9 / Dollar)
South Africa (Feb 9 / Rand)
Africa (Feb 9 / Rand)

INDICES
CAC-40 (200 x Index)
DAX (200 x Index)
FTSE 100 (200 x Index)
Nikkei 225 (200 x Index)
Hang Seng (200 x Index)
ASX 200 (200 x Index)
KOSPI 200 (200 x Index)
TAIEX (200 x Index)
SET (200 x Index)
MSE (200 x Index)
JSE (200 x Index)
NSE (200 x Index)
SEMI (200 x Index)
SSE (200 x Index)
SSE (200 x Index)
SSE (200 x Index)

When Rockwell isn't powering the Shuttle into space it's delivering just-in-time sunroofs in 136 minutes
Rockwell
AUTOMATION • AERONAUTICS • TELECOMMUNICATIONS
DEFENCE ELECTRONICS • AEROSPACE • AUTOMOTIVE • GRAPHIC SYSTEMS

US INDICES
Dow Jones
S&P 500
NASDAQ
NYSE Comp.
NYSE Mid. Cap.
NYSE Small Cap.
NYSE Div. Yield
NYSE P/E Ratio
NYSE Market Cap.
NYSE Volume
NYSE Turnover

ASIA (continued)
Indonesia (Feb 9 / Rupiah)
Philippines (Feb 9 / Peso)
Singapore (Feb 9 / Dollar)
Malaysia (Feb 9 / Ringgit)
New Zealand (Feb 9 / Dollar)
Australia (Feb 9 / Dollar)
South Africa (Feb 9 / Rand)
Africa (Feb 9 / Rand)
Latin America (Feb 9 / Various Currencies)

INDICES (continued)
CAC-40 (200 x Index)
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US INDICES (continued)
Dow Jones
S&P 500
NASDAQ
NYSE Comp.
NYSE Mid. Cap.
NYSE Small Cap.
NYSE Div. Yield
NYSE P/E Ratio
NYSE Market Cap.
NYSE Volume
NYSE Turnover

ASIA (continued)
Indonesia (Feb 9 / Rupiah)
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New Zealand (Feb 9 / Dollar)
Australia (Feb 9 / Dollar)
South Africa (Feb 9 / Rand)
Africa (Feb 9 / Rand)
Latin America (Feb 9 / Various Currencies)

INDICES (continued)
CAC-40 (200 x Index)
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US INDICES (continued)
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NYSE Turnover

FT FREE ANNUAL REPORTS SERVICE
You can obtain the latest annual reports for free on the FT website. For more information, visit our website at www.ft.com.

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Table with columns for Country, Closing mid-point, Change on day, Bid/Offer spread, Day's mid high, One month Rate, Three months Rate, One year Rate, Bank of Eng. Index.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns for Country, Closing mid-point, Change on day, Bid/Offer spread, Day's mid high, One month Rate, Three months Rate, One year Rate, JP Morgan index.

WORLD INTEREST RATES

Table with columns for Country, Over night, One month, Three months, Six months, One year, Lomb. Offer, Dis. rate, Repo rate.

CROSS RATES AND DERIVATIVES

Table with columns for Country, Bid, Offer, Bid/Offer spread, Day's mid high, One month Rate, Three months Rate, One year Rate, Bank of Eng. Index.

FT GOLD MINES INDEX

Table with columns for Gold Mines Index, Regional Indices, and various gold mine stock prices.

EURO CURRENCY INTEREST RATES

Table with columns for Country, Short term, 7 days, One month, Three months, Six months, One year.

UK INTEREST RATES

Table with columns for Instrument, Over-night, 7 days, One month, Three months, Six months, One year.

LONDON RECENT ISSUES: EQUITIES

Table with columns for Issue, Amount, Price, and other equity details.

RIGHTS OFFERS

Table with columns for Issue, Amount, Price, and other rights offer details.

UK GILTS PRICES

Table with columns for Issue, Price, % of amt, and other gilt price details.

BANK OF ENGLAND TREASURY BILL TENDER

Table with columns for Bill on offer, Total of applications, and other treasury bill tender details.

BASE LENDING RATES

Table with columns for Bank, Lending Rate, and other base lending rate details.

BANK RETURN

Table with columns for Department, Assets, Liabilities, and other bank return details.

OTHER FIXED INTEREST

Table with columns for Issue, Price, % of amt, and other fixed interest details.

LEGAL NOTICES

Legal notices regarding company matters, appointments, and other legal proceedings.

STOCK INDICES

Table with columns for Index, Value, Change, and other stock index details.

THE TOP OPPORTUNITIES SECTION

Advertisement for senior management positions, contact information for Robert Hunt.

BUSINESSES FOR SALE

Advertisement for businesses for sale, contact information for Karl Loynton.



Text for SEARCH UNDER duvets advertisement, including promotional message and contact info.

Form for requesting more information about FT PROFILE, including fields for Name, Job title, Company, Address, Telephone, and Fax.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector, including names like Heineken, Carlsberg, and their respective share prices.

BANKS, MERCHANT

Table listing banks and merchant companies, including HSBC, Citigroup, and their share prices.

BANKS, RETAIL

Table listing retail banks, including Lloyds, NatWest, and their share prices.

BREWERIES, PUBS & REST

Table listing breweries, pubs, and restaurants, including Heineken, Carlsberg, and their share prices.

BUILDING & CONSTRUCTION

Table listing building and construction companies, including Bovis Lend Lease, and their share prices.

BUILDING MATS. & MERCHANTS

Table listing building materials and merchant companies, including Bunnings, and their share prices.

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BUILDING MATS. & MERCHANTS - Cont.

Continuation of Building Materials and Merchants table.

CHEMICALS

Table listing chemical companies, including ICI, and their share prices.

DISTRIBUTORS

Table listing distributor companies, including Marks & Spencer, and their share prices.

DIVERSIFIED INDUSTRIALS

Table listing diversified industrial companies, including Unilever, and their share prices.

ELECTRICITY

Table listing electricity companies, including British Energy, and their share prices.

ELECTRONIC & ELECTRICAL EQPT

Table listing electronic and electrical equipment companies, including Philips, and their share prices.

ELECTRONIC & ELECTRICAL EQPT

Continuation of Electronic and Electrical Equipment table.

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Continuation of Electronic and Electrical Equipment table.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Continuation of Electronic and Electrical Equipment table.

ENGINEERING

Table listing engineering companies, including BAE Systems, and their share prices.

ENGINEERING, VEHICLES

Table listing engineering and vehicle companies, including Ford, and their share prices.

ENGINEERING, VEHICLES

Continuation of Engineering and Vehicles table.

ENGINEERING, VEHICLES

Continuation of Engineering and Vehicles table.

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Continuation of Engineering and Vehicles table.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries table.

EXTRACTIVE INDUSTRIES

Table listing extractive industries companies, including Anglo American, and their share prices.

EXTRACTIVE INDUSTRIES

Continuation of Extractive Industries table.

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Continuation of Extractive Industries table.

HOUSEHOLD GOODS - Cont.

Continuation of Household Goods table.

HOUSEHOLD GOODS

Table listing household goods companies, including Debenhams, and their share prices.

HOUSEHOLD GOODS

Continuation of Household Goods table.

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INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts table.

INVESTMENT TRUSTS

Table listing investment trusts, including Fidelity, and their share prices.

INVESTMENT TRUSTS

Continuation of Investment Trusts table.

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Continuation of Investment Trusts table.

مکان من الاصل

Handwritten note: "Handwritten note in Arabic script at the top of the page, possibly a date or reference." (Note: The text is illegible due to blurriness and angle.)

LONDON SHARE SERVICE

NEW TRUSTS SPLIT CAPITAL - Cont.

Table listing various investment trusts with columns for Name, Price, Dividend, and other financial metrics.

LEISURE & HOTELS - Cont.

Table listing companies in the Leisure & Hotels sector, including names like Holiday Inn and Premier Inn.

OTHER FINANCIAL - Cont.

Table listing various financial services and investment companies.

PROPERTY - Cont.

Table listing real estate and property-related companies.

SUPPORT SERVICES - Cont.

Table listing support services, IT, and business process companies.

AIM - Cont.

Table listing companies on the Alternative Investment Market (AIM).

LIFE ASSURANCE

Table listing life insurance companies and their financial data.

PAPER, PACKAGING & PRINTING

Table listing companies in the paper, packaging, and printing industry.

MEDIA

Table listing media and publishing companies.

RETAILERS, FOOD

Table listing food retailers and grocery stores.

TELECOMMUNICATIONS

Table listing telecommunications and internet service providers.

AMERICANS

Table listing American companies listed on the London Stock Exchange.

TEXTILES & APPAREL

Table listing companies in the textiles and apparel industry.

RETAILERS, GENERAL

Table listing general retail and consumer goods companies.

PHARMACEUTICALS

Table listing pharmaceutical companies.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts and their performance.

OIL EXPLORATION & PRODUCTION

Table listing oil and gas exploration and production companies.

INVESTMENT COMPANIES

Table listing various investment companies and their details.

PHARMACEUTICALS - Cont.

Continuation of the pharmaceuticals table.

RETAILERS, GENERAL - Cont.

Continuation of the general retailers table.

TOBACCO

Table listing tobacco companies.

TRANSPORT

Table listing transport and logistics companies.

SOUTH AFRICANS

Table listing South African companies listed on the London Stock Exchange.

WATER

Table listing water utility companies.

SUPPORT SERVICES

Table listing support services companies.

AIM

Continuation of the AIM table.

OTHER FINANCIAL

Table listing other financial services companies.

LEISURE & HOTELS

Table listing leisure and hotels companies.

Advertisement for interest rates set to rise on 7th March 1996, featuring a Picturetel logo and contact information.

GUIDE TO LONDON SHARE SERVICE: A brief guide explaining the format and content of the London Share Service tables.

FT Share Service: Information regarding the FT Share Service, including details on annual reports and company focus.

FT Cityline: Information regarding the FT Cityline service, including details on share prices and market data.

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FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing Bermuda (SIB recognised) funds including Fidelity Currency Funds Ltd, Royal Bank of Canada O/S Fd Mgrs Ltd, and others.

GUERNSEY (REGULATED)\*\*

Table listing Guernsey (regulated) funds including AMZ Mgmt Co (Guernsey) Ltd, Royal Bank of Canada O/S Fd Mgrs Ltd, and others.

BERMUDA (REGULATED)\*\*

Table listing Bermuda (regulated) funds including Bermuda Int'l Invest Mgmt Ltd, Royal Bank of Canada O/S Fd Mgrs Ltd, and others.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey (SIB recognised) funds including AIB Investment Managers (Guernsey) Ltd, Royal Bank of Canada O/S Fd Mgrs Ltd, and others.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB recognised) funds including AIB Fund Management Ltd, Royal Bank of Canada O/S Fd Mgrs Ltd, and others.

IRELAND (REGULATED)\*\*

Table listing Ireland (regulated) funds including AIB Fund Management Ltd, Royal Bank of Canada O/S Fd Mgrs Ltd, and others.

Chemical Ireland Fund Administrators Ltd

Table listing Chemical Ireland Fund Administrators Ltd funds including Chemical Ireland Fund, Chemical Ireland Fund, and others.

ISLE OF MAN (REGULATED)\*\*

Table listing Isle of Man (regulated) funds including AXA Equity & Law Int'l Fund Mgrs, AXA Equity & Law Int'l Fund Mgrs, and others.

ISLE OF MAN (SIB RECOGNISED)

Table listing Isle of Man (SIB recognised) funds including AXA Equity & Law Int'l Fund Mgrs, AXA Equity & Law Int'l Fund Mgrs, and others.

Jersey (SIB RECOGNISED)

Table listing Jersey (SIB recognised) funds including AIB Fund Managers (CI) Ltd, AIB Fund Managers (CI) Ltd, and others.

Jersey (REGULATED)\*\*

Table listing Jersey (regulated) funds including AIB Fund Managers (CI) Ltd, AIB Fund Managers (CI) Ltd, and others.

Jersey (SIB RECOGNISED)

Table listing Jersey (SIB recognised) funds including AIB Fund Managers (CI) Ltd, AIB Fund Managers (CI) Ltd, and others.

Luxembourg (SIB RECOGNISED)

Table listing Luxembourg (SIB recognised) funds including AIB AMRO Funds (a), AIB AMRO Funds (a), and others.

Luxembourg (REGULATED)\*\*

Table listing Luxembourg (regulated) funds including AIB AMRO Funds (a), AIB AMRO Funds (a), and others.

Luxembourg (SIB RECOGNISED)

Table listing Luxembourg (SIB recognised) funds including AIB AMRO Funds (a), AIB AMRO Funds (a), and others.

John Goveat Management (Jersey) Ltd

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John Goveat Management (Jersey) Ltd

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John Goveat Management (Jersey) Ltd

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Eagle Star - Global Assets Fund (a)

Table listing Eagle Star - Global Assets Fund (a) funds including Eagle Star - Global Assets Fund (a), Eagle Star - Global Assets Fund (a), and others.

Eagle Star - Global Assets Fund (a)

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Eagle Star - Global Assets Fund (a)

Table listing Eagle Star - Global Assets Fund (a) funds including Eagle Star - Global Assets Fund (a), Eagle Star - Global Assets Fund (a), and others.

Nikko Capital Management

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Nikko Capital Management

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Nikko Capital Management

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Main table containing fund names, codes, and prices. Includes sections for 'OFFSHORE INSURANCES' and 'BARRAGED FUNDS NOTES'.

OFFSHORE INSURANCES

BARRAGED FUNDS NOTES
Prices are in pence unless otherwise indicated and these
include 5% with a 10% uplift on U.S. dollars.

Vertical text on the left margin, possibly a sidebar or index.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table of stock prices with columns for stock name, price, and change. Includes sub-sections for 'NEW YORK STOCK EXCHANGE', 'NASDAQ', and 'AMERICAN STOCK EXCHANGE'.

BEAUGUEST GRAND HOTEL CRAVAT advertisement with logo and contact information.

Continued on next page



NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, change, and volume.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market listing various stocks with columns for stock name, price, change, and volume.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, change, and volume.

Advertisement for Cyporus, featuring the text 'Have your FT hand delivered in Cyporus.' and 'the edge over your competitors by having the Financial Times delivered to your home or office every working day.'

Continuation of the NASDAQ National Market table from the previous page, listing additional stocks and their market data.

FT GUIDE TO THE WEEK

MONDAY 12

Major makes IRA statement

In the wake of the bomb marking the end of the IRA's ceasefire, John Major, the prime minister, addresses the House of Commons...

Republican caucuses in Iowa

The Iowa Republican caucuses mark the real beginning of the 1996 US presidential election campaign...

China-Vietnam trains restart

The first trains linking Vietnam and China in 17 years head for the Sino-Vietnamese border...

Holbrook battles in Bosnia

In what may be his last Bosnia mission, the US special envoy Richard Holbrook is due to continue his attempts to try to defuse the escalating dispute over the detention of Serb soldiers...



In London, the long-awaited report by Sir Richard Scott on the sale of arms to Iraq is released

Turkmenistan-Turkey talks

Hopes of reviving a delayed deal to supply gas through a pipeline from Turkmenistan to Turkey are behind a visit to Ankara by the president of Turkmenistan...

Bowls

World indoor championships, singles and pairs, Preston, England (to Feb 25).

Public holidays

Cameroon, Japan (National Foundation Day), USA (several states).

TUESDAY 13

China anti-piracy dispute

The implementation of an anti-piracy agreement in China will be discussed by a team headed by Lee Sands, the assistant US trade representative...

Czech steel rescue effort

A final attempt is made to save the Czech Republic's financially stricken Poldi Ocel, one of its three main steel plants...

Yeltsin election declaration

President Boris Yeltsin is expected to fly to his home city of Ekaterinburg, where it is widely anticipated that in two days' time he will declare he is to run again for the Russian presidency...



majority owner, Vladimir Stehlik, is discussing a rescue package with the Skoda engineering group...

MEPs debate television

The European parliament debates controversial amendments to the television without frontiers directive...

directive would also require theme channels, such as cartoon channels, to invest part of their budgets in European productions.

UK inflation report

The Bank of England publishes its latest quarterly assessment of the government's anti-inflation policy...

Saleroom

The most important single-owner collection of carpets, tapestries and textiles to reach the market in 50 years begins to be dispersed at Christie's in London...

Business Travel '96

Europe's only exhibition dedicated to corporate travel opens at the Business Design Centre, London (to Feb 16).

Cricket

Start of the World Cup: England v New Zealand, Ahmedabad, India.

FT Surveys

European Postal Systems, Conferences, Exhibitions and Travel.

THURSDAY 15

Scott report published

The three-year wait for the conclusions of Sir Richard Scott's inquiry into the UK's arms-for-Iraq affair ends at 3.30pm...

The Labour party opposition is after scalps, with William Waldegrave, the chief secretary to the Treasury...

Alert at Bangladesh polls

Thousands of Bangladeshi troops will be at polling booths for what could prove the country's most tense and violent election day since its liberation from Pakistan in 1971...

Farnell bid decision

A meeting in Wetherby, west Yorkshire, will decide the fate of the ambitious £1.8bn takeover bid by Farnell Electronic for Premier Industrial Corporation of the US...

Carnival in Rhineland

Carnival in the Cologne area moves into top gear as offices close for Weiberfastnacht, the ladies day on which maidens and matrons take to the streets with a licence to prey on men...

FRIDAY 16

Former Italian PMs on trial

Hearings resume in Milan in the trial of Silvio Berlusconi, the media magnate and former Italian prime minister...

Mastering Management

The FT's 20-part series continues in the UK edition with part 15. Non-UK readers can take out a subscription...

FT Survey

European Stock Markets.

Public holidays

Bangladesh, Ivory Coast, Lithuania, Taiwan (stock market, to Feb 17).

SATURDAY 17

Clinton in New Hampshire

President Bill Clinton joins the Republican field in New Hampshire, ahead of the Feb 20 primary. He is unchallenged in the state where he finished a strong second in 1992.

Rugby union

Five nations' championship: France v Ireland, Paris; Wales v Scotland, Cardiff.

Public holidays

Bangladesh, Mauritius, Nepal, Sri Lanka.

SUNDAY 18

Poles vote on privatisation

Poles vote in a referendum which could open the way to mass liquidations of state assets...

Kohl visits Russia

Germany's chancellor, Helmut Kohl, flies to Russia for a three-day visit to Moscow and St Petersburg at the invitation of President Boris Yeltsin...

Compiled by Simon Strong. Fax: (+44) (0)171 873 3194.

Other economic news

Monday: UK producer price data is expected to show a smaller rise both in manufacturers' costs and in factory gate prices last month than in December.

Tuesday: The Federal Reserve Bank of Atlanta will publish its measure of business activity. The British Retail Consortium's sales monitor will provide a further indication of trading conditions on UK high streets last month.

Wednesday: UK labour market statistics are expected to show another drop in unemployment last month. But annual average earnings growth is thought to have picked up in December.

Thursday: Economists expect UK retail prices to have fallen last month. Japanese industrial production is thought to have risen again in December.

Friday: Figures on UK public sector borrowing are expected to show a repayment in January. US industrial production is forecast to have fallen last month, easing capacity constraints.

ECONOMIC DIARY

Statistics to be released this week

Table with columns: Day Released, Country, Economic Statistic, Median Forecast, Previous Actual. Lists various economic indicators for Germany, UK, US, Japan, and Spain from Monday to Friday.

ACROSS

- 1 Bound to get away before one's children (9)
2 Of clear age but not a wrinkle! (6)
3 Lawrence and not a singer (5)
4 Text you seek if engineers get from the Bible? (9)
5 Just not expensive (10)
6 Elegance from which I could benefit (4)
7 Loyalist Irishman embraces three people (7)
8 Guides cried when turned out on a back street (7)
9 Fruit supplier made love to cleaner in some way (7)
10 Avoids flights (7)
11 Team returns holding live goat (4)
12 Something a man may wear during retirement? (10)
13 Stress former husband's first to get additional rooms (9)
14 I had backed nothing here (5)
15 Leaflet of model farm vehicle is returned (5)
16 Always immature yet never lacking in popularity (9)

DOWN

- 1 Dismissed ruler is short (5)
2 Devotee cast it adrift, which is incredible (9)
3 Full stop put to one US state publication (10)
4 Brown isn't prepared to come round for the moment (7)
5 Clothes went first in a jumble (7)
6 Ready with the rent last time (4)
7 After party Hugh goes topless for money (5)
8 Drills ruler and cuts away outside (9)
9 About a hundred pigs snore badly, requiring treatment (10)
10 Well-known pair mention relocation (9)
11 Charm engaged in bringing prisoner round (9)
12 Determine to imprison one for killing a god (7)
13 Two points he can possibly add to (7)
14 Divorced with skill reversed a bit more (5)
15 The point of growing things? (5)
16 At last you can stand one (4)

MONDAY PRIZE CROSSWORD

Crossword puzzle grid and clues. Includes a list of winners and the solution to the puzzle.

MORSE advertisement for Sun's Java brochure. Includes text: 'Our brochure always featured Sun. But Java is a new destination. To some, Java is an Indonesian island. To others, it means coffee. To businesses, it means the start of a revolution in the way they can exploit the Internet and develop electronic commerce.'

Small advertisement for Eastern Electricity with contact number 0800 99 77 55.



MANAGEMENT

The aggressive bus group could play a key role in determining the future shape of train services, says Charles Batchelor

# Stagecoach moves on to the rails

When managers at East London Bus Company were working on plans for an ultimately unsuccessful management buyout of their company in the early 1990s, they used the threat of a takeover by the Stagecoach bus group to impress upon staff the need for cost savings.

Stagecoach, which earlier this month became the first bus company to start running trains on the privatised rail network, has a fearsome reputation in the bus industry for aggressive competition. It also has the dubious honour of having been the subject of more Monopolies and Mergers Commission investigations than any other company.

The company has prospered in the cut-throat climate created by the deregulation of the bus industry outside London in the mid-1980s. Cut-price operators began running clapped-out buses minutes ahead of rival services on the lucrative city centre routes, abandoning evening and weekend services.

With every prospect of Stagecoach becoming a significant operator of train services it could play an important part in determining the shape of both rail and bus services over the next decade. It has acquired South West Trains and announced its intention of bidding for many of the remaining 22 franchises to be sold.

Stagecoach was set up in 1980 by Brian Souter, an accountant and son of a bus conductor, and his sister Ann Gloag. It has grown into Britain's largest bus company with turnover of £340m and 13 per cent of the total market.

A stock market flotation in 1993 provided the Perth-based company with the means of financing a burst of acquisitions, allowing it to spread its tentacles from Inverness to Brighton. Despite Stagecoach's frequent clashes with the competition authorities there is no sign of the spending spree coming to an end. At the end of January it paid £41m for GM Buses South, the south Manchester bus operator.

This rapid expansion has proved controversial, even by the buccaneering standards of the deregulated bus industry. By exploiting a loophole in the regulations, Stagecoach swooped on Darlington, running a free bus service and forcing the town's municipal bus company into liquidation. Smaller bus companies complained to the Commons transport select committee last summer about Stagecoach's bullying tactics.

Souter's response to these criticisms has been that only his competitors and the competition authorities have complained and not his customers, who have been given improved bus services. He points to more modern buses - the company has ordered 1,500 new buses in the last four years - and to more frequent services in many previously poorly served areas.

Stagecoach's aggressive approach makes sound commercial sense, according to Peter Huntley, a bus industry analyst with the TAS Partnership. "Your territory is your principal non-financial asset and the only way to keep control of it is to give the impression you will hold on to it vigorously and aggressively. Stagecoach has done just that."

Just how Stagecoach does operate is demonstrated by the experience of the East London Bus Company which, despite the efforts of its managers, succumbed to a Stagecoach bid in September 1994. Stagecoach also acquired the South East London and Kent bus company (SeKent) as part of the sell-off of the London bus companies.

Many savings had already been made as part of East London's preparations for privatisation - staff, who had previously worked 38 hours a week, were working 42 hours a week for the same wages, and two bus garages had been closed - but Stagecoach pushed for more economies. Two layers of supervisors were taken out at the company's remaining six garages leading to a further 60 job cuts and subsidiary activities such as cleaning were contracted out.



But what has surprised Roger Bowker, East London's managing director and his three fellow directors, who were all kept on by Stagecoach, was their new owner's willingness to invest. East London had been renting unsuitable offices in the centre of Ilford but was encouraged by Stagecoach to buy smaller, more efficient premises with a small shop front which sells tickets, souvenir T-shirts and mugs, and provides passenger information.

If the buy-out had succeeded it is unlikely that the company would have had the funds to spare for new buses, but Stagecoach has encouraged East London to invest in new vehicles. Twenty-seven new buses were bought last year and a further 26 are on order. Success in bidding for bus routes now depends on being able to offer new buses.

"We didn't know anything about Stagecoach before but we found that our philosophies were similar," says Bowker. Tough action on costs was accompanied by efforts to retain staff loyalty through a company pension scheme, a profit-sharing arrangement and a share scheme.

with another nearby Stagecoach company, to reach an optimum size of between £15m-£20m turnover and around 300 buses. "Bigger companies tend to become inefficient while smaller ones cannot spread their overheads far enough," says Scott.

The running costs of new acquisitions are reviewed within the first few weeks. Supply contracts can be renegotiated quite quickly. Stagecoach expects to achieve average savings of 1.5 per cent because of its superior purchasing power on items such as spare parts, tyres and engine components. In the 1980s when Stagecoach was a £5m turnover company it still managed to buy its diesel fuel more cheaply than London Transport, claims Scott. Further savings are achieved by standardising the specification of the new buses.

Stagecoach also has a keen eye for the value of city centre bus depots and office sites. It denies that this is asset-stripping, saying that the proceeds are invested in new bus fleets. It paid £2.2m for the Hampshire Bus company in 1987 but then sold a surplus depot in Southampton and bus operations accounting for 40 per cent of turnover for a total of £4.4m, retaining the profitable 60 per cent of the business.

The Ribble bus company was making a loss of £200,000 on turnover of £29m when it was bought by Stagecoach in 1989. Stagecoach sold some of its operations in Manchester, shedding £7m of turnover, and moved a further £2m of business into its own Cumbrian company. Ribble is now making profits of £200,000 on turnover of £19m, says Scott.

With one of the largest costs of a bus company in its wages bill, Stagecoach makes a priority of reorganising wage structures. Traditionally basic rates have been topped up with allowances, which makes payroll management very complex. Stagecoach aims to have a single hourly rate negotiated within individual companies or sometimes garages.

At East London drivers work flexible shifts to increase the amount of the working day they spend driving. "It is not true that we pay less but we do make drivers work a full shift," says Scott. In most companies there is a profit-related element to pay.

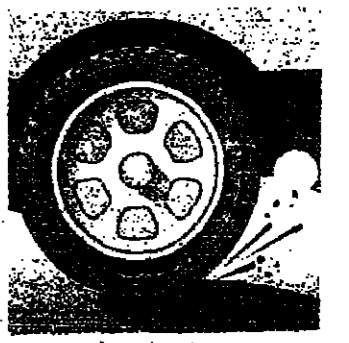
After the free-for-all in the unregulated regional bus markets, ownership of two London bus companies has given Stagecoach experience of operating in a more controlled market - experience which could prove valuable with its move into operating rail services. But a problem for a company like Stagecoach is that rail franchisees can only influence 40 per cent of their costs because the track, stations and rolling stock are owned by other companies in the rail industry, one stockbroking analyst points out. This puts the emphasis on reducing the wage bill.

"There will have to be job reductions at South West Trains although it will not be among drivers or people dealing with customers," says Scott. "It is the people who are out of sight whose functions have to be challenged."

"This will not be easy. The rail unions are likely to prove a tougher proposition than unions in the bus industry," says Derek Scott, Stagecoach's financial director. Stagecoach's headquarters is a house in Perth with a staff of 30. Ideally a company of Stagecoach's size should only need 10 people in head office, but the company manages its pensions administration and its insurance scheme in-house.

Managing the company's ever-expanding empire is achieved by creating a network of regional centres running several bus companies. East London in Ilford handles SeKent's finances, while an office in Lewes manages bus companies in Hampshire, West and East Sussex and Kent. Stagecoach has 10 regional centres for 23 subsidiaries but can probably remove one or two of those, says Scott.

Individual companies are trimmed or expanded, sometimes by swapping routes



## FAST TRACK Elekta

Imagine a day when a surgeon in London will be able to operate on a patient in Kuala Lumpur, helped by a consultant in Moscow. The stuff of science fiction? Not if groups like Elekta have anything to do with it. The Swedish group is at the forefront of efforts to make robotic surgery a reality in a few years' time.

Elekta belongs to one of the most exciting spheres of the Swedish corporate firmament - the medical equipment sector. Its record of organic growth really stands comparison with that of its peers. Turnover has risen steadily from SKr201m (£18.7m) five years ago to SKr666m in the year to April 1995. Pre-tax profits over the same period have jumped from SKr23m to SKr86m.

The group's best-known product, and the foundation of its early success, is the Leksell Gamma Knife. This device uses precisely targeted, high-dose radiation to treat tumours and other disorders deep inside the brain, often beyond the reach of conventional surgery. The precision and level of concentration differs from normal radiation treatment, says the company, and means diseased cells can be eradicated without damaging surrounding healthy tissue. A big advantage is that a hole does not have to be bored into the skull.

Laurent Leksell, Elekta president, says the treatment is less traumatic than conventional surgery and hospital stays and convalescence periods are shorter.

But he acknowledges that the machines - costing \$3m (£2m) each - represent a sizeable investment. And he accepts that some surgeons still have some reservations about the gamma knife methodology.

Despite this, sales of gamma knives have grown, helping to give Elekta a worldwide business reach in a remarkably short time. The group is active in around 60 countries, with the US and Asia the most important markets. Apart from the gamma knife, which accounts for 60 per cent of revenues, Elekta specialises in stereotaxis (a system of fixed co-ordinates which enables a surgeon to identify a point in the brain and then reach it), surgical instruments and image guidance systems.

Leksell is the son of the group's founder, the late Lars Leksell, who started the group in 1972. Voting control remains with the family, although the group has been listed on the Stockholm Stock Exchange since 1994.

Leksell says the company will stress organic growth, backed by extensive collaborations with universities and other companies. Work on different image guidance tools, for example, has been developed together with Canada's IIG Technologies and the French group DeMed.

The emphasis will remain on the brain and the central nervous system. Future growth will come not just from new products and new markets, says Leksell, but also from new applications for existing products. Indeed he hopes that one day the gamma knife can play a role in helping to eliminate disorders such as epilepsy, the cause of which is today invisible to traditional X-rays. "Think of the gamma knife as a rifle," he says. "The better the binoculars we have the more accurately and effectively we can use it."

Christopher Brown-Humes

# Dressing up and dressing gown

As a newly fledged early bird, I have yet to grow used to starting work before dawn in my home office while the backyard coyotes are still yip-yipping in pursuit of gopher-snacks.

As may be imagined, I am often to be found hunched over this damned keyboard in pyjamas or less. All the more comforting, then, to hear that the relaxation of office dress codes is proceeding apace in the US. San Francisco's Levi Strauss has come up with the riveting revelation that dress-down Friday has evolved into an everyday affair at 33 per cent of all US companies.

In 1992, when 20 per cent of companies allowed casual dress at all times, 37 per cent were sticking strictly to the suit, tie, skirt and blouse convention. That figure has now slid to 10 per cent.

Extrapolating on the gleanings from a phone poll of 604 human resource managers (why not 607?) the world's biggest apparel com-

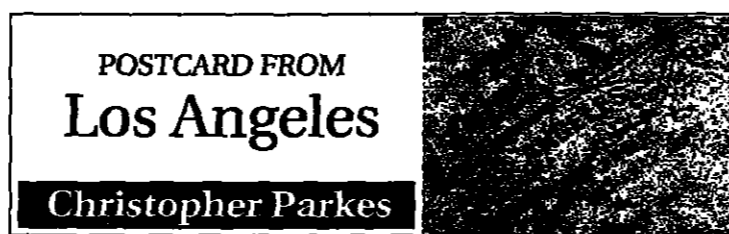
pany has come up with the prospect that by the end of the decade, half of corporate America will be sloping around the office and plant in "casual businesswear".

Levi Strauss's discovery of a whole new market segment has so excited its marketing people that they have lost their command of the English language. "This growth would represent an additional 28m wearing occasions for casual clothing every week," it says.

Reported merits include the alleged perception among job-seekers that relaxed dress codes count as a perk, and management's view that jeans and tennis shoes make for improved productivity.

For the record, women seem more restrained than men, who tend to favour khaki pants worn with polo shirts and leather shoes. Not a mention of pyjamas, but watch this space.

To experience the relaxez-vous revo-



lution at its known limits, a trip with no-frills Southwest Airlines is recommended.

Its ground personnel, clad in a mixture of crumpled shorts, baggy trousers and faded beige polo shirts may be a rag-bag, but they certainly put a brave face on the travails of the regional specialists.

I encountered Fern, a gabby cabin person of a certain age, on a recent hop from Phoenix to LAX. Her devotion to communication - to my mind the most necessary skill in flight - impressed.

"If my ex-husband and his new lover would care to settle down at the back..." she announced to a

reverse thrust, a clear, I'm-in-charge pilot's voice twanged over the cockpit intercom: "Whoooooaaa there, big boy!" I sneaked a look on the way out. He was wearing a uniform, cap and all, just like a Los Angeles bus driver.

One of the less-appreciated tendencies among southern Californians is a devotion to work far more pronounced than many other Americans are prepared to admit.

Life in Lalandia may be lived very much on the move, but it is not all lotus-to-go. This is the city where the concept of the car as an extension of the home was born and has spawned car accessories to facilitate eating and, increasingly, working on the go. Multiple power points routinely power all sorts of small appliances: even lap-top computers.

I am grateful to a local newspaper correspondent for confirming that my recent sighting of a sedan

driven by a man simultaneously engaged in typing was not a one-off. "I was almost sideswiped by some doofus in a Honda pecking away at a laptop perched on his steering wheel," he writes.

At least in southern California, changing dress habits may stem in part from the almost obsessive, practically constant indulgence in physical recreation in search of what my local gym promotes as "buns of steel".

(It is not uncommon to observe women, striding about their business making exaggerated arm and hip movements, muttering the mantra: "I must improve my bust.") As a result, variants on all forms of track, field, gymnasium and even swimwear are now acceptable street clothing for every age group. Former "casual" gear looks positively smart, and the suits and skirts of yesteryear are more and more the exclusive preserve of hotel staff... and contrary teenagers.

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BUSINESS EDUCATION

As students consider which MBA course to study, Della Bradshaw examines how to make a choice

Money clarifies masters maze

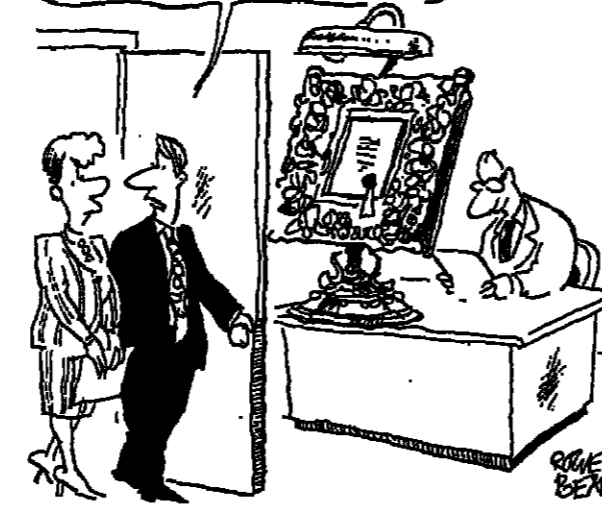
The most sought-after qualification in business education is undoubtedly the master of business administration.

Thousands of students preparing for autumn courses are now faced with the question: Which is the best course for me? At the end of the day it is hard to escape the fact that the deciding factor is money.

But you need to be seriously rich. Two years of course fees, living expenses and the cost of not being employed will cost more than \$100,000.

For those with more modest ambitions money will still be decisive in the choice of a full-time, part-time, or distance learning course. But whatever

FOR HEAVEN'S SAKE TRY AND KEEP OFF THE SUBJECT OF HIS MBA



students with business experience should ask themselves whether they want a course which will give them skills in general management or a specialist function.

You could also use the opportunity of studying abroad to learn a new language. At the moment Mandarin is very much in demand.

The next move should be to visit the campus during term-time, even if the campus is overseas. Go to one of the open evenings that the business schools hold and then sit in on one of the classes.

You should talk to the academics, but more importantly you should talk to the students. Particularly if you are planning to work and study simultaneously, practising students will provide the best guide to the workload.

And you should assess the culture of the school, says Morgan. Is the atmosphere competitive or co-operative, and which do you thrive in?

With 80 per cent of students in the UK now opting to study while working, there are part-time courses which require regular attendance for lectures - often once a week or over the weekend.

NEWS FROM CAMPUS

Baubles, bangles and bright, shiny degrees

If your ambition in life is to slip into sophisticated clothes, drive a powerful car and sip expensive champagne then the course for you could be the MBA programme specialising in luxury brand management in Paris - where else?

The 12-month course from the Essec Graduate School of Management has been designed in conjunction with companies such as jewellers Cartier, champagne producers Moët et Chandon and a host of fragrance companies.

The companies themselves participate in the project work of the 20 students on the course.

Managing to make money from property

British business schools are emulating their American peers by introducing an increasing number of masters courses which specialise in a specific topic.

studied on a full-time or part-time basis.

Civil rights leader honoured at Wharton

Civil rights leader Whitney M Young has become the first African-American to have a faculty position named in his honour.

Seedcorn software companies vulnerable

The UK's software industry has improved in performance but bankruptcies in the industry remain four times the national average.

BUSINESS EDUCATION

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BUSINESS TRAVEL

Travel groups on show

More than 120 travel companies will show their wares at the Business Travel '96 Exhibition...

are also seminars on how to deal with jet lag and the opportunities opened up by the Channel tunnel rail link...

Interactive Europe

Beritz Publishing Company, which produces pocket travel guides and phrase books, has issued two CD-Roms...

Media of the US, which develops business software. The CD-Roms include essential foreign language words and phrases...

Black market warning

American Airlines has warned that parts of a Boeing 757, which crashed in the mountains of Colombia...

included a 14-page list of possible missing parts. These may include both engines, places of the landing gear...

Concorde record: A British Airways supersonic Concorde made use of a 175mph tailwind to fly from New York to London in 2 hours, 52 minutes, 59 seconds...

its heaviest and most important pieces of equipment probably survived.

exceeded 1,250mph. Concorde's previous trans-Atlantic record was set in April 1990.

Malaysia flights

Malaysia is asking for daily flights to Johannesburg and Cape Town in South Africa, transport minister Ling Liong Sik said last week.

Likely weather in the leading business centres

Table with columns for city (London, Frankfurt, L. Angeles, Paris) and days (Mon, Tue, Wed, Thur, Fri). Includes weather icons and temperature ranges.

After close examination of the UK railways, Peter Marsh offers his guide to the best and worst of the system

Rail travel in Britain is getting better. This may seem a controversial statement at a time of scary stories of what British Rail will look like after privatisation...

The joys of networking

but you must book in advance. The choices are quite substantial: you can call on a biller maker in Biggleswade (roughly an hour from London's King's Cross)...

metal cutting... with up to 1,300 tools being handled at any time. On the journey you will find - especially after Oxford - that it is virtually impossible to tear your eyes from the rolling countryside along the route...



Derby, where the station is big, open and friendly, and just a little worse for wear. You could also visit Doncaster station for one of the best railway murals: a series of pictures illustrating The Ages of the Train which decorates one of the station subway, and was devised by unemployed youngsters...

Letchworth station in Hertfordshire where Steve Newland - the station manager, although in the new BR privatisation jargon he is more properly known as a "customer services officer" - is shortly to start the process of spelling the station's name in flowers in one of his five or so "sponsored flower beds"...

Spanish tunnel rail link proposed

Spain and Morocco are to seek backing from the European Union for the construction of a rail tunnel linking Europe and north Africa under the strait of Gibraltar. Madrid and Rabat also agreed to strengthen co-operation in fighting organised crime, terrorism, drug trafficking and illegal immigration...

CONFERENCES & EXHIBITIONS

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MEDIA FUTURES

V-chip to block the TV nasties

A law on censorship of traditional and electronic media in the US is encountering opposition, says Louise Kehoe

The "V-chip" - a device that can be used to block the reception of sexually explicit or violent television programmes - must in future be installed in all TV sets sold in the US, under a law signed by President Bill Clinton last week.

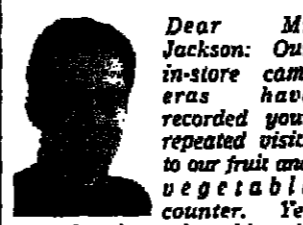


The "electronic censor" is at the heart of heated debate between civil libertarians and those who believe that sex and violence on TV encourages teenage pregnancies and juvenile crime.

US TV companies have so far proved reticent on the issue of the V-chip. The industry has generally been opposed to a government-mandated rating system, although there had been efforts under way to create a voluntary rating system and plans to test-market V-chip systems.

Tim Jackson

This bug in your PC is a smart cookie



Dear Mr Jackson: Our in-store cameras have recorded your repeated visits to our fruit and vegetable counter.

long, and in what order. That information can be tallied against information the customer provides of his own free will - for instance, when he registers for membership by giving a name and e-mail address, or provides a credit card number and a address when ordering a delivery - to produce a comprehensive record of individual behaviour.

Each cookie, or nugget of information, can be up to four kilobytes and each server is allowed to deposit 20 cookies on every client computer. The total of 80 kilobytes that this represents is roughly equivalent to 18 articles the length of this one. But this limit can be circumvented by the simple device of having a number of different servers inside the company.

Sex, lies and the Internet

At the beginning of this month the US media giggled when John Goydan became the first person to cite his spouse's online affair with a paramour named The Weasel as grounds for divorce.

Victoria Griffith finds cyberspace socialising is on the increase

Net users cannot even be sure they are talking to a real person - increasingly machines are used to do the talking, Turkle says. As an example, she cites cybersurfers' interaction with "bots", characters that are programmed to behave in certain ways on the Net.

She believes cyberspace can have a positive as well as a negative influence on its users - citing, for example, patients who have used role playing to overcome fears. "One man was terribly shy in person, yet online he was popular and outgoing. Eventually, his social life on the Internet began to give him more confidence in his face to face encounters."

Cyber sightings
The Swiss Investor Marketplace (www.inl.ch/iml) has some good information for private investors, even if its sole function seems to be to make you feel guilty for not hedging your entire portfolio in Swiss francs.

That's assuming you have time to read it, of course.
El Tiempo, one of the leading newspapers in Colombia (www.eltiempo.com) has put up a nicely laid out site in Spanish.

tion and graduate school of business (http://mba.grad.tamu.edu) will be happy to give prospective students details of courses at its straightforward site.

Advertisement for State Street Institutional Investor. Includes icons for Global Custody, Performance Analytics, Treasury Services, and Investment Management. Text: NO OTHER BANK VALUES THE INSTITUTIONAL INVESTOR AS HIGHLY AS WE DO. At State Street, helping institutional investors succeed is our top priority.

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Standing up for Bellini

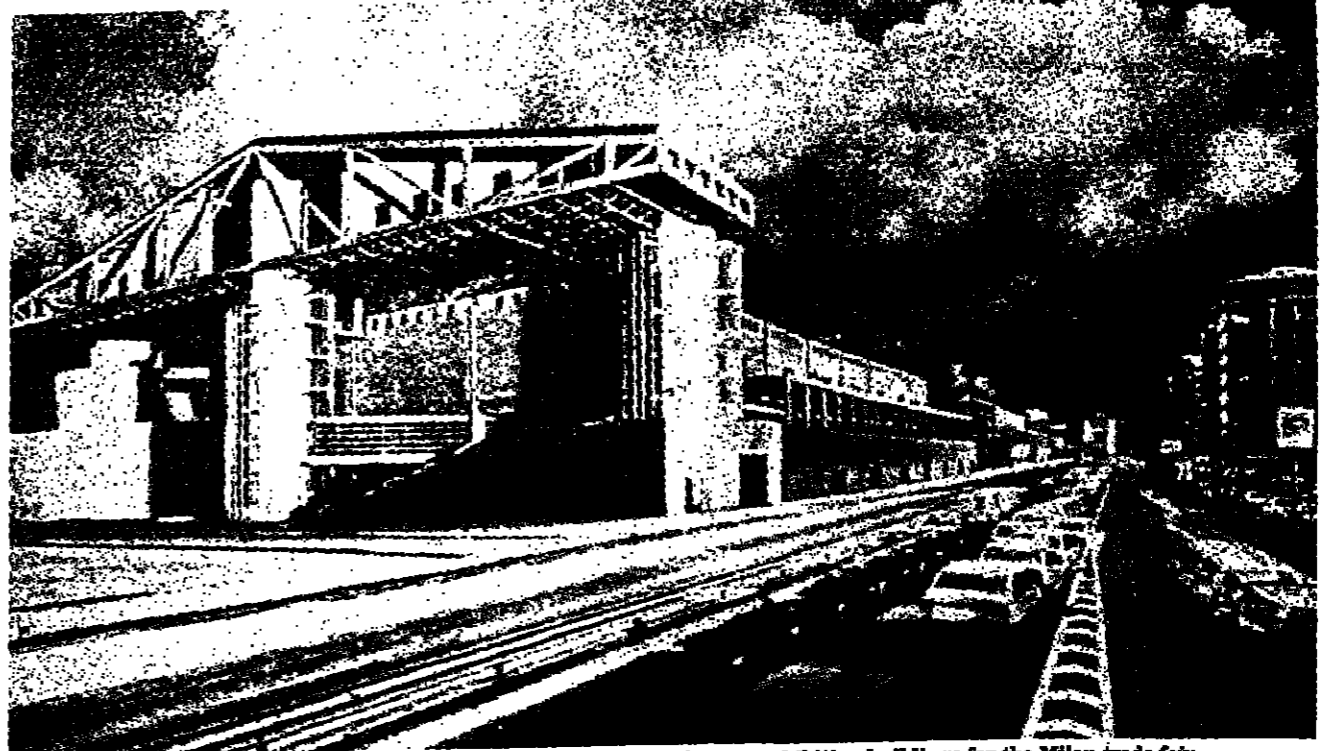
The man who is building the highest tower in Moscow and masterminding the biggest post-war building project in Milan is in London. He brings with him a quality of building that is purely Italian, a certain instinct for quality.

Colin Amery on an architect who could make a motorway service station memorable

reputation as much outside Italy as within, and he has the added distinction of being a great exhibition designer. He created one of the finest architectural exhibitions, The Renaissance from Brunelleschi to Michelangelo - The Representation of Architecture, which began in the Palazzo Grassi in Venice in 1994 and went last year to Paris and Berlin.

clear sense of the work. But how much better it would have been to be able to sit, relax and contemplate these images. Was it old architectural arrogance that refused to allow chairs?

real in its silence and space. At the top of the steep staircase that lures you in from the street is an equestrian sculpture by Mimmo Paladino. This splendid tall horse is seen between pierced travertine walls against a background of trees.



In the hands of Bellini, drama and emotional power are achieved in the new exhibition buildings for the Milan trade fair

exhibition buildings for the Milan trade fair. It is a massive formal scheme that sensibly incorporates car parking in the planning and stupendous planting of pyramid-shaped hornbeam trees. The great skeletal portico that marks the north-western end of the new building is splendidly scaled and likely to become the new symbol of the Milan fair.

it almost impossible to give some of the late 20th century uses of buildings any emotional impact. The international trade fair, the Japanese leisure park, the new hotel for Moscow - in Bellini's hands, all have achieved drama and emotional power.

motorway service station into a memorable architectural experience. It takes an Italian, and it takes Bellini.



A bristly man, A.C. Smith. His luxuriant eyebrows bristle; a splendid head of iron-grey hair seems to have a life of its own. Some cricket writers have found him spiky. The wonderful phrase "No comment... but don't quote me" is often ascribed to Smith, who is retiring as chief executive of the Test and County Cricket Board. But he shrugs it off as apocryphal.

Legacy of cricket's bristling reformer

afternoon with Smith at his Lord's HQ in London, it was hard not to be impressed by the subtlety, discretion and diplomacy required to lead this most federal of games, for cricket, whether domestic or international, will not be ordered from on high. It has no equivalent to FIFA or the IAAF.

A.C. Smith, padding up for the last time, talks to Keith Wheatley. Smith still bristles when he recalls the 18 hours of horse trading at Lord's which led, indirectly, to the current imbroglio with Australia and the West Indies refusing, on security grounds, to play matches in Sri Lanka following the bomb blast in Colombo.

relationship is much more healthy since they realised market forces had to apply. It ripples that a man who has devoted his life to playing or administering cricket should be told by politicians he needs protecting from the temptation to sell the game's devoted audience down the river for a few extra millions.

foreshortening the political timetable. "We're spending an enormous amount of time and money lobbying on this and thinking much more long-term than most politicians."

reflect a consensus among the autonomous counties. Yet at their October summit, it was despatched to the limbo of a working party.

Smith says: "I think once the counties got their solicitors reading the new constitutions, the enormity of it all just hit them very hard."

season is the poor performance of the England team. "It's not just a bad patch," he insists. "I don't think we have the environment that allows the best players to develop their full potential. Quite simply, they all play too much in the English season."

Advertisement for Financial Times featuring a large illustration of a hand holding a newspaper. The main headline reads 'GUESS WHAT 300,000 INFLUENTIAL RUSSIANS GET UP TO EVERY FRIDAY.' The ad includes a list of financial services and contact information for Universal Media Ltd. There is also a small 'RUSSIFIED' stamp over the illustration.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

Table listing dividend and interest payments for various companies and funds. Columns include the date (Today, Tomorrow, Wednesday, Thursday, Friday, Saturday, Sunday), the company name, and the payment amount.

UK COMPANIES

Table listing UK company meetings for various dates (Today, Tomorrow, Wednesday, Thursday, Friday). It includes company names and the times of their meetings.

Vertical text on the right edge of the page, including 'OPENINGS' and 'ARTS GUIDE'.

Handwritten Arabic text at the bottom right of the page, likely a signature or note.



ARTS



WURZBURG Titian (1488-1576) was the last of the great Venetian decorators, the greatest exponent of the Italian Rococo and arguably the greatest painter of the 16th century.

VIENNA "Peter Grimes", Benjamin Britten's best-known opera, has had to wait half a century for its first production in Vienna.

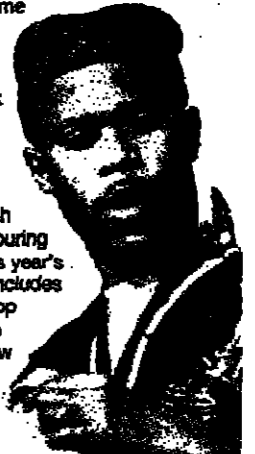


LYONS On Thursday the Musée des Beaux-Arts unveils the first major retrospective of Francois-Auguste Ravier (above), the 19th century landscape painter often described as the French Turner.



NEW YORK One of the biggest-ever Fabergé exhibitions opens at the Metropolitan Museum of Art on Friday. It features more than 400 precious objects - including 15 of the 44 exorbitant imperial Easter eggs (left) commissioned by the last Russian tsar.

HAVANA Cuba has been putting fire into jazz since the Forties "Cubop" craze, even though political obstacles have prevented some musicians from leaving - and others returning.



PARIS At the Opéra Bastille in Paris on Tuesday, a new ballet programme is devoted to four works by George Balanchine set to Tchaikovsky music.

OPERA / David Murray

Tristan, or something like it

These days, to see Wagner played straight you have to go to the provinces. On Saturday the English National Opera unveiled its new Tristan and Isolde, as produced by David Alden.

weird, arbitrary details upon the action - unless you count his treatment of the Shepherd in Act Three, who is apparently blind and immobile, staring blankly into the audience almost throughout.

Without those "externals", unfortunately, we get nothing to penetrate. It is strange to think that a new London generation of Wagner-lovers is growing up with hardly a glimpse of grown-up Wagnerian opera: just Richard Jones's Jockey, anything-goes Ring at Covent Garden, grotesque Parsifals at both houses, and now this spectrally bloodless Tristan.

Yet there are credible vocal honours all round. Elizabeth Connell's Isolde boasts a splendid attack, a rich range of vocal colours that lights up passage after passage with bold imagination, and huge musical commitment to the role.



Ang Lee: 'When I got the script I hadn't read the book. But then I did and felt this call of destiny. I felt it was made for me'

Eat Drink Jane Austen

Nigel Andrews talks to Ang Lee, director of 'Sense and Sensibility'

sights, "that our film comes out at the same time as Persuasion and just before Emma, which is being filmed now. Because Emma [Thompson's] script had already been four years in the writing when I read it. The same thing happened to me on The Wedding Banquet.

"war games" then being conducted off Taiwan's coast - "so as an artist one learned certain protocols or disguises. I would hate to see Taiwan taken over as Hong Kong will be. It is terrible for a country to live in a state of confusion over its identity.

According to Emma Thompson's published diary on the film's making, Lee was obsessed with the contours and possible significances of people's faces: including the space between an actor's lower lip and chin and again between the bridge of his nose and his forehead.

In earlier films Lee also used improvisation, to unlock ideas and emotions. Surely he could not do that with something as precise and fastidious as a Jane Austen script?

The film journalist knows the great truth about Los Angeles. Almost every top person he wants to see is out of town. "I'm sorry, Mr Andrews, but Mr Spielberg / Miss Madonna / Mr Brando are away right now."

Lee's films, it happens, are about culture shock. He made The Wedding Banquet, an arthouse smash about a Manhattan gay couple thrown into disarray when one partner's Chinese parents come to visit, and Eat Drink Man Woman, about food and family life in cross-generational Taiwan.

INTERNATIONAL ARTS GUIDE listing various events in Amsterdam, Copenhagen, Hamburg, London, Lisbon, Bologna, Cape Town, Munich, New York, Paris, Stockholm, Washington, and Zurich.

AMSTERDAM: Concert at Concertgebouw, featuring various orchestras and soloists.

COPENHAGEN: Opera at Det Kongelige Teater, featuring various operas and soloists.

LONDON: Concert at Barbican Hall, featuring various orchestras and soloists.

LYON: Opera at Opéra de Lyon, featuring various operas and soloists.

MUNICH: Dance at Nationaltheater, featuring various dance performances.

NEW YORK: Concert at Avery Fisher Hall, featuring various orchestras and soloists.

PARIS: Concert at Salle Gaveau, featuring various orchestras and soloists.

WORLD SERVICE: BBC for Europe can be received in western Europe on Medium Wave 648 kHz (463m).

EUROPEAN CABLE AND SATELLITE BUSINESS TV: (Central European Time) MONDAY TO FRIDAY.

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17.30 Financial Times Business Tonight.

Midnight Financial Times Business Tonight.

ZURICH: Concert at Tonhalle, featuring various orchestras and soloists.



COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Monday February 12 1996

After the ceasefire

Tragically, the IRA ceasefire is over. The search for a political settlement in Northern Ireland which accommodates the competing aspirations of unionists and nationalists should continue.
The resumption of the IRA's murderous bombing campaign has all but shattered hopes of a permanent break in the cycle of violence which claimed more than 3,000 lives during 26 miserable years.

Future status

A starting point is to reaffirm the principle of consent at the heart of the Downing Street Declaration - the future status of Northern Ireland can be decided only by the wishes of a majority.
It is more important than ever to demonstrate once again to the IRA that unionists can never be coerced into a united Ireland.

Political risks
In this London and Dublin governments deserve, and should expect, the strongest support from the US administration. Mr Bill Clinton has taken political risks in lending credibility to Mr Adams and Sinn Féin. He should not be criticised for that.

The problem with cable

What is wrong with UK cable? For more than a decade, cable companies have dug up the roads of Britain in pursuit of the vision of wired cities. Yet many cable shares have underperformed the UK market by about a third in the past year.
Last week, Videotron, Canada's third largest cable television group, announced it wants to sell its majority stake in the UK's seventh largest cable company.

Real competition
Cable companies may have a legitimate case that the terms on which BSkyB sells them programming are unfair. The Office of Fair Trading is currently considering the complaint. But that simply emphasises cable's failure to develop its own programmes, pace Mirror Group's Live TV and its popular dance plays.

Friday night's bomb in east London has again reminded the world of the capacity of a determined cell of terrorists to destroy years of painstaking political effort in a momentary act of violence.

The only beneficiaries of the outrage are those who for decades have based their political credibility on sectarian strife.
As he prepares his statement for the Commons today, Mr John Major, the British prime minister, might be forgiven for wondering whether the choice he faces is between maintaining the peace process or continuing his government.

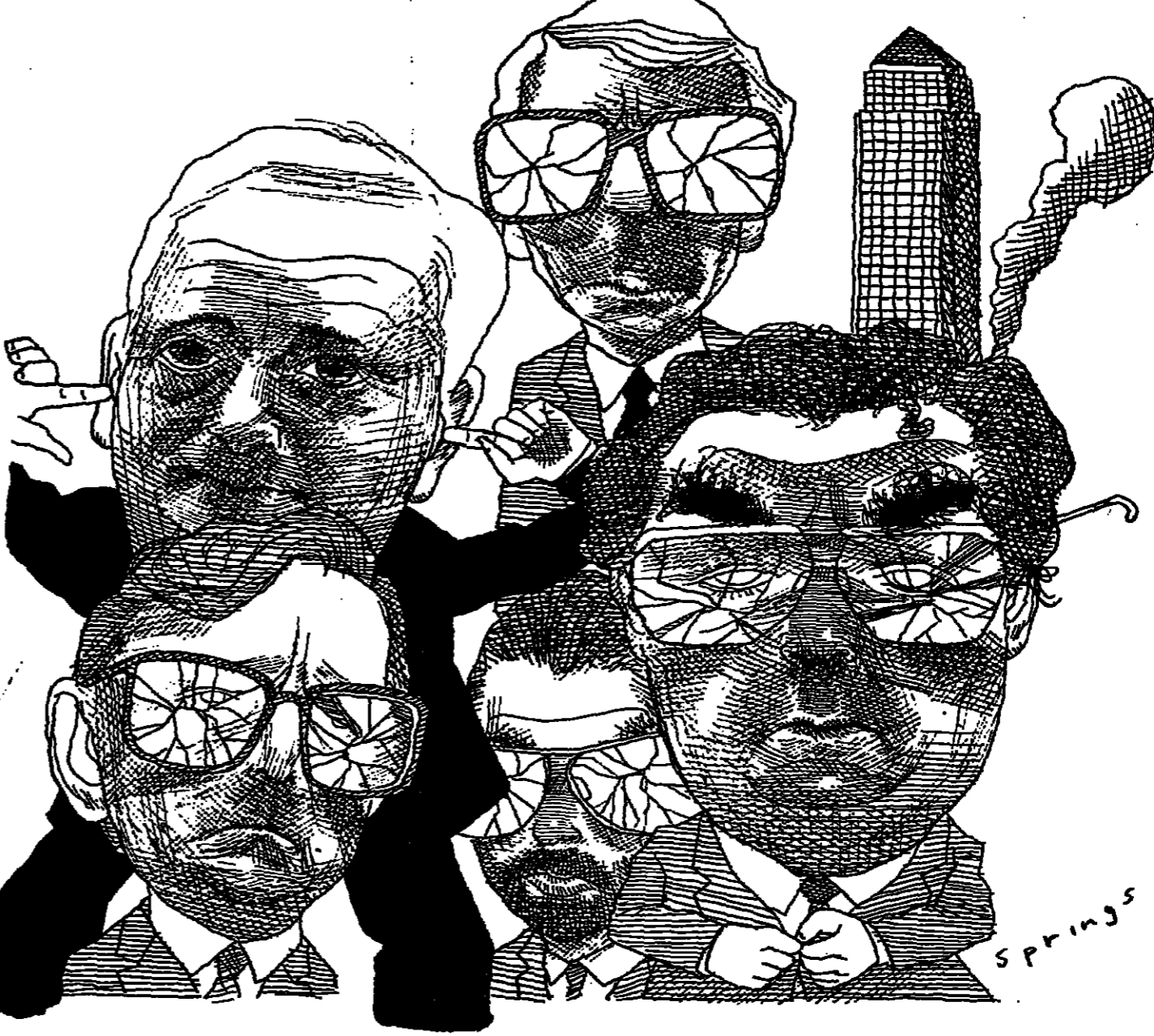
Yet if British ministers cannot talk to Sinn Féin, it will close the only channel of communication that exists with the IRA. The resumption of the "long war", as republicans dub the armed struggle, will begin - with the targets initially on the British mainland.
Even several staunchly pro-Unionist Tory backbenchers - and many soon depend on the Ulster Unionists. They will not allow him to hint at concessions to woo Mr Gerry Adams and others in the Sinn Féin leadership in the hope that they can still bring the Irish Republican Army with them.

From late last year, UK intelligence reports highlighted growing pressure in the republican movement to abandon the ceasefire. Restlessness has mounted at the IRA grassroots over the slow progress in the peace process. There was dissatisfaction with Mr Adams over his willingness to talk to the British despite tortuously slow progress towards the full-scale negotiations that were seen as the goal.

Mr Hume believed the key to a solution was not the isolation of the extremes, but bringing them into the political mainstream. It was for that reason he sometimes gave the impression of bending over backwards to placate the interests of republicans. His work appears to have been blown apart.
The immediate plan, according to UK ministers, will be to take stock. Mr Major's first priority will be to shore up security at high-profile buildings on the British mainland as well as around politicians and officials responsible for Northern Ireland.

But he chose to focus on the difficulties Unionist politicians would face in joining talks before decommissioning began. He took up the proposal for elections to a constitutional convention put forward by Mr David Trimble, leader of the Ulster Unionist party.
This was interpreted by republicans as a delaying tactic - one rebuff too far. The Irish government was furious. Mr Dick Spring, the deputy prime minister, accused the British of pursuing a "divide and conquer" strategy.

But the news is not all good for Friedland, who holds joint US and Canadian citizenship, lives in Singapore and is constantly on the move. US environmental agencies are probing his role in the mismanagement of a small gold mine in the foothills of the Rockies in the early 80s. Tons of toxic chemicals seeped into local water supplies. The cleanup bill is expected to reach well over US\$10m. Given Friedland's latest strike, the Americans may be encouraged to try even harder to make him pick up the tab.



John Kampfner and John Murray Brown consider the difficult dilemma now facing the British and Irish governments

Time to take stock

But Mr Bruton's sense of betrayal by Sinn Féin is palpable. Only last Tuesday he and his coalition partners met a Sinn Féin delegation in Dublin's government buildings.
Equally let down by the decision of the IRA army council to return to violence are the moderate nationalists of Northern Ireland's Social Democratic and Labour Party. Their leader, Mr John Hume, believed that, somehow, they could forge a new political consensus through dialogue.

Mr Bruton made clear yesterday that he remained open to talks with Sinn Féin. He said demands for Sinn Féin leaders to condemn the bomb would be counterproductive as they would be seen as yet another hurdle.
"Sinn Féin has now been told that if they wish to convey messages to the Irish government, there are means available," he added. "We are not going to give them the sort of political recognition that we would give to parties exclusively using political methods to advance their programme."

Mr Adams would lose all credibility within republican ranks if he condemned the bombing. If he knew about it in advance, he would make himself liable to prosecution. In many ways, for both governments it would be preferable if he did know. At least then they could believe that there would be a point in further negotiations.
The alternative, of a disciplined hard core of terrorists beyond the reaches of any political process, would be worse to contemplate. If Mr Adams turns against the military command, British officials believe Mr Adams could risk physical danger from his erstwhile allies.

But others suggest it may be too late. According to Dermot Ahern, Fianna Fail MP for the traditionally militant republican border area of Dundalk the failure of Sinn Féin to make political progress has bolstered the IRA. "Ordinary people who have never espoused violence, are saying 'Can you blame them?'," he says.
The 17 months of ceasefire was perhaps a triumph of hope over reality. The great game was all about all-party negotiations. Even if they had been reached, no-one had a clue about what would happen next. If the aim was to legitimise Northern Ireland as a sovereign part of the UK through the principle of the consent of the majority of the province, then it would run counter to everything the IRA had ever stood for.

OBSERVER

Friedland's lucky strike

Not even the biggest winner of the UK's national lottery has hit the jackpot quite as spectacularly as Robert Friedland.
The ever youthful Friedland was a long-haired hippie in the 60s and a promoter of speculative North America mining stocks in the 80s. Among his brood was Vancouver-based Diamond Fields Resources which, as its name implies, was hoping to strike a motherlode of gemstones. Just 18 months ago, Friedland's 13 per cent stake in DFR was worth little more than US\$10m (US\$7.8m).

Kinkel watch

Life is not easy for poor old Klaus Kinkel. The German foreign minister failed last year to stake out a future for the small liberal Free Democratic party (FDP) and now seems to be losing his grip on the conduct of German foreign policy altogether.
Chancellor Helmut Kohl's visit to Russia at the end of this week promises telling evidence. It turns out that the foreign ministry heard about Kohl's visit not from the chancellor's office but - yes, you guessed it - from the Russians.

Angela - President Bill Clinton's favourite poet

Her album, Miss Calypso, has just been re-released complete with a cover picture showing a lot of chest and leg. The distinguished author of I know why the Caged Bird Sings, it turns out, was once a night club vamp who jumped on the Caribbean bandwagon set under way by Harry Belafonte's Banana Boat Song in 1957.
However, the potential damage to Angela's image is nothing compared with the embarrassment facing Louis Farrakhan, leader of the sinister Nation of Islam organisation. He is understood to be busy on a search-and-destroy mission. His target: a disc he cut when he was known as plain Calypso Louie. It is called The Charmer...

Felix the fixer

Felix Rohatyn, one of the grand old names of Wall Street investment banking, is being tipped for a job at the US Federal Reserve. A life long supporter of the Democrats, Rohatyn's name often surfaces when there is a big post to fill.
However, the odd thing this time round is that Rohatyn is not being mentioned for the top job at the Fed. The assumption is that Alan Greenspan will be reappointed for a third term even though he turns 70 next month. So why would Rohatyn want to be his number

Test mate

Keith Murray is hanging up his car keys - after failing his UK driving test for the 35th time. The Scottish publisher has spent close to £2000 on 1,450 lessons over the past decade. Keith has now decided not to fill in a 36th test application.
But he insists he is a good driver. Blaming his downfall on nerves and bad luck. His first test 10 years ago was a disaster. "It was really awful weather and we ended up following a hearse back to the test centre. I knew that was a bad omen - I just didn't realise things were going to get this bad."

Retrobution

The US music scene is rife with Retromania - uncovering parts of the past some big names might prefer to forget.
Take literary lioness Maya

Financial Times

100 years ago

Greek finances
M. Delyanni, the Premier, to-day submitted to the Chamber the Budget for 1896, which places the revenue at 93,944,541 drachmas, and the expenditure at 90,222,350 drachmas. About seventy bills dealing chiefly with internal reforms were introduced. One of the measures introduced deals with a proposed increase in the gendarmery, which is to be entrusted exclusively with the maintenance of public order. Referring to the Foreign Debt, M. Delyanni declared that the negotiations for a satisfactory arrangement would shortly be resumed in Paris with the Bondholders' Committee.

50 years ago

Warning on U.S. supplies of lead
The Civilian Production Administration has issued a warning to battery manufacturers to conserve lead supplies as far as possible, since it foresees a deficit of 180,000 tons for 1946. Makers of paint, chemicals and tetraethyl lead for petrol will also be asked to conserve supplies. New development work in the United States would ease the tight lead situation, as would the return of workers to the mines and smelters, but the industries' reconversion to peace-time production is slow. Then there is the price problem.

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